



City of Rancho Santa Margarita *California*

Comprehensive Annual Financial Report

For the Year Ending
June 30, 2020

Comprehensive Annual Financial Report

For the Year Ended June 30, 2020

Finance Division

City of Rancho Santa Margarita, California

City Council



Bradley J. McGirr
Mayor



L. Anthony Beall
Mayor Pro Tempore



Anne D. Figueroa
Council Member



Carol A. Gamble
Council Member



Jerry Holloway
Council Member

City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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A photograph of a building at dusk. The building features a series of large, rounded arches along its side. A tall, square bell tower rises from the roofline. The interior of the arches is lit with warm, yellow light. In the foreground, there are large, dark planters with flowering plants. The sky is a clear, deep blue.

Introductory Section

City of Rancho Santa Margarita, California



CITY OF RANCHO SANTA MARGARITA

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December 11, 2020

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 20th 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.

In prior fiscal years and most recently 2020, the City performed a condition assessment of the pavement subsystem, which is required every two years for Measure M transportation funding eligibility and every three years for financial reporting purposes, and affirmed that these infrastructure assets are above the condition level established by the government. There were no new GASB standards implemented for the current fiscal year. The Comprehensive Annual Financial Report for fiscal year ended June 30, 2020 includes all of the required GASB standards applicable to the City. The City of Rancho Santa Margarita is proud to be on the leading edge of local governmental financial reporting.

The 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, 2020, 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 2020, sales, motor vehicle in-lieu, and property taxes made up approximately 78% of the City's general revenues.

This is the City's 20th fiscal year since incorporation, and the 18th 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, 2020, the City continued on a steady and positive economic course until the stay-at-home orders by Governor Newsom and immediate shuttering of businesses throughout the State and Country in March 2020 due to the COVID-19 health crisis. The City responded to the crisis by closing down the Bell Tower Regional Community Center and enacted health and safety measures throughout City Hall. Since the full economic impact was unknown at the onset of the crisis, the City controlled spending and monitored the on-going situation. The City Council's adopted budget for FY 2019/20 funded all services by utilizing operating revenues. At year-end, General Fund revenues, outside of transfers in, exceeded budgeted revenues by only \$11,600. The City was on track to exceed budgeted revenues, but various revenues were heavily impacted by the health crisis, including sales tax, rental income and program revenue. Since three quarters of the fiscal year was completed at the time of the initial stay-at-home orders, many of the other General Fund revenues reflect a lower overall impact. General fund expenditures, not including transfers out, came in under budget by \$1,698,294 compared to budgeted amounts. This savings can be attributed to reduced and controlled spending throughout the remainder of the fiscal year due to the unknown revenue impacts from the stay-at-home orders and closing of businesses stemming from the COVID-19 health crisis. The largest savings was experienced in Public Safety where the City was able to offset the Orange County Sheriff's Department law enforcement costs with earned contract vacancy credits and CARES Act funding. The CARES Act allows for reimbursement towards police services, as police services are deemed substantially dedicated towards the response to the COVID-19 health crisis. In prior years, the City was generally able to achieve an overall budget savings without affecting core City service levels to residents and businesses, but unfortunately, the City was forced to close the BTRCC, which has had a direct impact on senior services, recreation classes, and rentals. Transfers in netted against transfers out were under budget by \$103,316 with an overall positive variance of \$1,790,010 between budget and actuals. The net operating surplus of \$742,899 includes nominal growth in property tax and building permit fees, but is primarily due to expenditure savings within the City departments. The FY 2019/20 budget also assumed the use of reserve funds for planned expenditures. These expenditures included the General Plan Update project, the purchase of a police motorcycle, as well as, various capital projects. The capital projects included the Habitat Restoration Project, Vista Drive Street Repair project, and the El Paseo Corridor Improvement project.

ECONOMIC CONDITION AND OUTLOOK CONTINUED

Revenues for Fiscal Year 2019/20 decreased only slightly under budget estimates by \$11,600. Increased property tax, property tax in-lieu of VLF, and property tax transfer revenue contributed \$51,494, sales tax revenues reflected a decrease of \$55,332 compared to budget estimates. The decrease in sales tax revenue is a direct impact of the shuttering of businesses and the stay-at-home orders imposed by the Governor. Due to the types of businesses in the City and the increase in online sales tax revenues through the State and County Pools, the City fared much better than initially projected. The City was able to experience growth in various other revenue categories with continued growth recorded in areas such as investment income, fines, forfeits and penalties, and other revenue. The City reflected higher growth of \$69,950 in interest income revenue and other revenue increased by \$76,781 stemming partially from insurance claim payments to the City. However, the City again also experienced lower franchise fee revenues compared to prior years. The hardest hit revenue category was Charges for Services, as although, building permit fees, and engineering and recycling deposits came in higher than budgeted, revenue derived from the Bell Tower Regional Community Center were significantly impacted by the health crisis and the closure of the building. The result of the closure was a reduction of \$60,348 in rental income and recreation program revenue due to refunds that were issued, as well as, the loss of revenue due to elimination of activity of any kind at the BTRCC. Although the COVID-19 had a negative impact on certain general fund revenues, the City was able to come in only slightly below budget due to an overall fiscally responsible budget, as well as, the timing of the health crisis not affecting the City until later in the fiscal year.

Over many years, City Council has taken a fiscally responsible approach in approving the City Budget. It has been a main goal to provide excellent service, programs, and activities for its residents, with maintaining a healthy fund balance for a possible rainy day. In coordination with staff, consultants, and other government agencies, the FY 2020/21 budget was prepared with the best estimates and knowledge of the potential impacts of the current COVID-19 health crisis, and took into consideration the reality that much was still unknown regarding future economic impacts. Although difficult, the City made the necessary cuts and reductions to ensure that the City's overall fiscal future remained healthy. The City Council has governed the City with conservative and thoughtful consideration of not just the finances of the City, but also the overall quality of life for its residents and businesses and all those who call the City of Rancho Santa Margarita home.

Although Sales tax revenues significantly impacted by the COVID-19 health crisis, they were still the City's largest revenue source at \$6,729,367, or 36%, of General Fund revenue for the fiscal year ended June 30, 2020, when compared to individual property tax revenues. Motor vehicle fees and VLF in-lieu taxes of \$4,967,587 made up the City's second largest revenue source at 26% of general revenues. Property taxes of \$2,716,191 accounted for 15% of general revenues.

Current year sales tax revenue estimates reflect a significant decrease from the prior year actual sales tax revenue due to the COVID-19 health crisis. The City continues to monitor sales tax revenues as the health crisis and any future impacts are still unknown. Based on current information, the projection is that sales tax revenue will continue to be below prior year actuals, with recovery and improvement still not expected to begin until FY 2021-22.

ECONOMIC CONDITION AND OUTLOOK CONTINUED

The City's outlook for current year estimated property tax revenue of \$2.98 million, which includes property transfer tax revenues, looks promising as the assessed property values increased between 2018/19 and 2019/20. Current information suggests that property tax should not be significantly impacted in the upcoming fiscal year, but there is still uncertainty how and if the health crisis will effect property taxes in future years. The on-going COVID-19 health crisis has had a significant impact on the City especially in the area of Community Services. There is still uncertainty surrounding the impacts COVID-19 will continue to have on the City; however, the City has taken measured steps to address the situation and has prepared a thorough and fiscally responsible budget for FY 2020/21. Although certain data points to slow but 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. Over the last five years, the City has been in the maintenance phase of the 82.9 acre Upper Oso Habitat Restoration Project, which was completed in FY 2019/20. The City is currently awaiting for final signature approval from the U.S. Fish and Wildlife Agency that will then officially close the project. Any further maintenance requirements are unknown at this time and will be dependent on the official comments from the Agency's report.

Public Safety

Based on the Federal Bureau of Investigation's (FBI) Uniform Crime Reporting database, the City of Rancho Santa Margarita has consistently been ranked as one of the safest cities in California, since incorporation in the year 2000. Once again, the latest UCR report distributed in 2020 revealed that Rancho Santa Margarita is ranked as the #1 safest city in the County of Orange for cities with a population over 35,000. Safewise, a city ranking firm, ranked the city of Rancho Santa Margarita as the #2 safest city in the entire State of California, with the lowest amount of property crimes of any city in the State. The latest preliminary data indicates that Rancho Santa Margarita continues to match the previous years' overall Part 1 crime rate. Based on the statistical crime data and current trends, Rancho Santa Margarita Police Services' deployment model is well positioned to respond to California's rapidly changing criminal justice system.

Public Works Improvements

Major projects included annual residential overlays, and annual slurry seal programs for (\$950,155), as well as, annual concrete repair and pavement rehabilitation projects at a cost of \$1,194,021. Other projects include the Antonio Gateway Improvements (\$54,383), improvements to the El Paseo Corridor for (\$108,547), median hardscape and landscape renovations of (\$22,133) and completion of a Citywide Red Curb evaluation project at a cost of \$9,966. The City also initiated and completed various projects including signal and equipment upgrades, signal enhancements, and traffic calming for a combined total of \$131,043. The City also completed the emergency vehicle pre-emption project, as well as, the Traffic Signal Battery Backup System for a combined total of (\$180,266) and is currently in the final maintenance phase of the 82.9 acre Upper Oso Habitat Restoration Project with a cost of \$155,622. Federal Community Development Block Grant (CDBG) funds and a small portion of Gas Tax funds were used for median ADA Improvements at a cost of \$124,861.

MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE, CONTINUED

The City began the Storm Drain System Study at a cost of \$193,236 in the current year. This project is slated to be completed in the next fiscal year. The City initiated a project to replace the carpet at City Hall and the Bell Tower and began the Protected Left Turn Study for a combined total of \$3,897. Both of these projects are on hold due to the COVID-19 health crisis. The City used local park trust funds toward the continuing phases of the Splash Pad at Central Park (\$81,103). Construction has begun on the SMP Bridge Hinge Repair project with cost of \$483,050 in FY 2019/20.

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 20th anniversary. This fiscal year the City continued to provide concerts in the park during the summer months, with the fourteenth annual series being received with great success. Community Services staff has continued adding programs and activities at the Bell Tower Regional Community Center. Unfortunately, the City was forced to close down the BTRCC in March 2020 and it remained closed through the fiscal year due to the COVID-19 health crisis. The building continues to be closed based on California's Re-Opening Plan requirements. In the meantime, the City is working on a re-opening plan to be in-acted once restrictions are lifted.

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 first General Plan in December 2002 with updates to the Housing Element in 2013 and the Circulation Element in 2014. The City updated the General Plan between FY 2015/16 and FY 2019/20. A General Plan Consultant was selected in February 2016. In 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. During FY 2018/19, the Environmental Impact Report was completed. Public hearings on the General Plan occurred in early 2020 with City Council adoption of the General Plan Update on March 11, 2020.

Local Hazard Mitigation Plan

The City updated its Local Hazard Mitigation Plan during FY 2018/19. A Local Hazard Mitigation Plan (LHMP) is used to identify risks and vulnerabilities associated with natural disasters, and to develop long-term strategies for protecting people and property from future hazards. Having a FEMA-approved LHMP is beneficial to the City as it is a condition for receiving certain types of pre- and post-disaster funding. The City received a grant from the Federal Emergency Management Agency (FEMA) through the California Department of Emergency Services (CalOES) Hazard Mitigation Grant Program in October 2018. A consultant was hired to prepare the plan in November 2018. The Plan was prepared between November 2018 and September 2019. The Plan was approved by CalOES and submitted for FEMA approval on October 7, 2019 and the final Plan was adopted by the City Council in December 2019.

MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE, CONTINUED

Housing Element Update

The California Government Code requires all cities and counties to adopt a General Plan Housing Element on a specified eight-year cycle. The City's current housing element covers the period 2013-2021. Pursuant to state law, the City must update the Housing Element and submit it for review and certification by the State Department of Housing and Community Development (HCD) by October 15, 2021. A Housing Element Consultant was selected in July 2020 and work commenced on the Housing Element Update during at the start of FY 2020/21.

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, 2020, 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 2019 and 2020 were adopted by the City Council at a public hearing, following the budget development study sessions. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The City also maintains an encumbrance accounting system as one method of accomplishing internal budgetary control. Additionally, the City Council has requested and received interim updates of budgetary performance and variance analysis. The updates are intended to provide additional support for staff to monitor and adjust budgeted revenues and expenditures based on comparisons to current and historical activity, and to aid City Council discussions and decisions regarding the City's budget.

Reserves Policy

A continuing priority of the City Council has been to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses, by adopting a policy regarding the City's accumulated net resources called fund balance. The City Council completed an annual review of the City's Reserves Policy and adopted to assign \$8,512,921 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 3.51% on April 10, 2019 to be effective July 1, 2019. The annual fee increase for FY 2019/20 has been deferred to October 2020.

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, 2019. 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, 2020.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Rancho Santa Margarita
California**

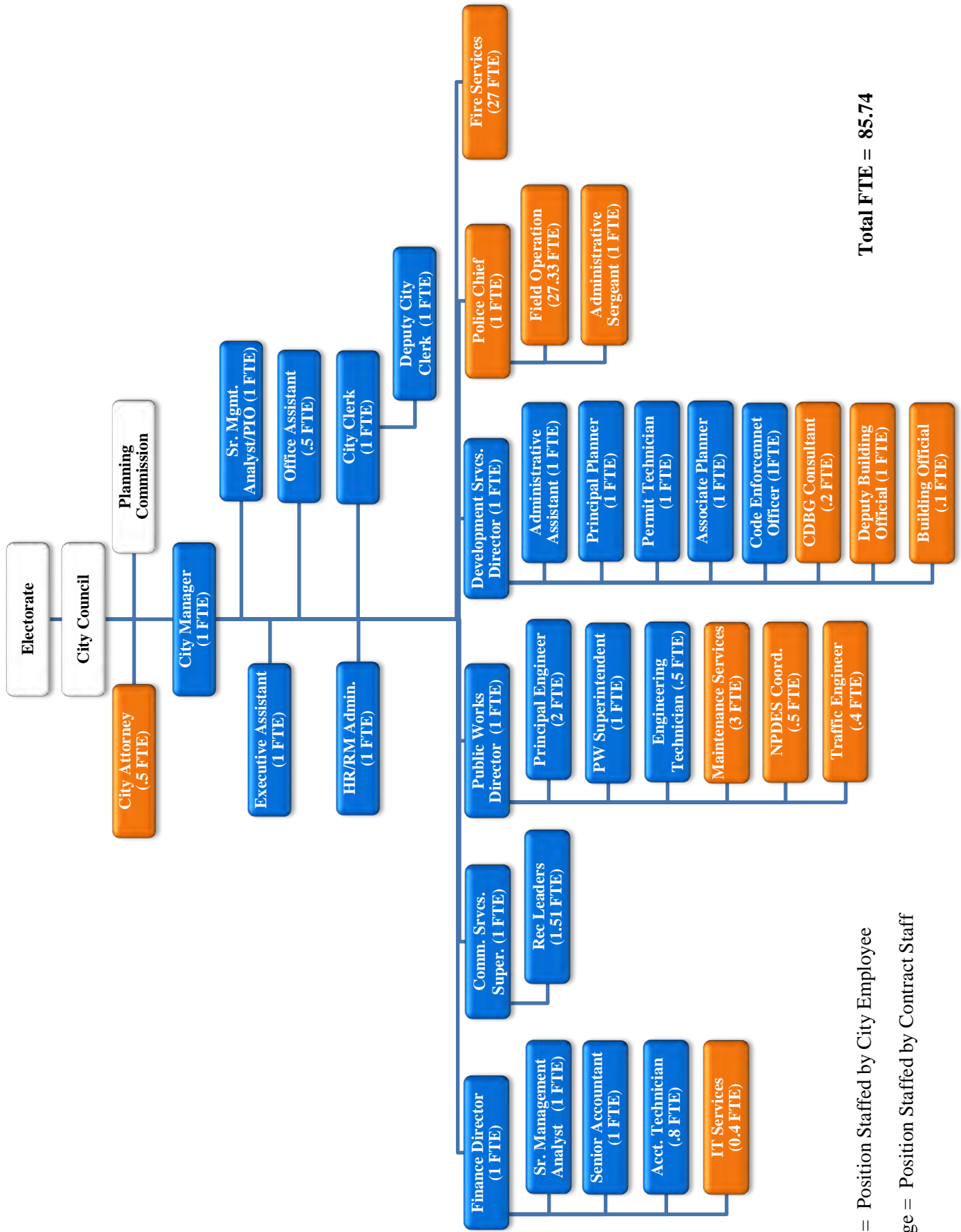
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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



Blue = Position Staffed by City Employee

Orange = Position Staffed by Contract Staff

Total FTE = 85.74

City of Rancho Santa Margarita

LIST OF PRINCIPAL OFFICIALS

Council – Manager Form of Government

CITY COUNCIL

BRADLEY J. MCGIRR
Mayor

L. ANTHONY BEALL
Mayor Pro Tempore

ANNE D. FIGUEROA
Council Member

CAROL A. GAMBLE
Council Member

JERRY HOLLOWAY
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
Brendan Dugan, City Engineer/Public Works Director

Financial Section



City of Rancho Santa Margarita, California

Independent Auditor's Report

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

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, 2020, 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, 2020, 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.

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 11, 2020 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 "Davis Fan" followed by a stylized flourish.

December 11, 2020
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, 2020. 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, 2020, by \$127.9 million (*net position*). Of this amount, \$19.3 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 \$104.7 million.
- The government’s total net position decreased by \$.75 million during the fiscal year ended June 30, 2020. Revenues decreased by \$.23 million. The “Other” revenue decreased by \$0.67 million due to a large one-time revenue received in the prior year. Sales Tax decreased by \$0.38 million due to impacts of the stay-at-home orders and the shuttering of businesses due to the COVID-19 health crisis. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.28 million; fees and intergovernmental revenue decreased \$0.04 million; operating grants and contributions increased \$0.87 million; however, investment revenue decreased by \$.06 million. Capital grants and contributions showed a decrease of \$.09 million, as well as, charges for services experienced a decrease of \$.14 million. The net increase from the prior year in total government expenses is \$1.35 million and is due to increased spending on capital projects. This increase is due to the completion of certain projects including the Vista Drive Street repair project, and the beginning phases of construction on the Santa Margarita Parkway Bridge Hinge Project.
- As of June 30, 2020, the City’s governmental funds reported combined ending fund balances of \$24.6 million, a decrease of \$.32 million in comparison with the prior year. Approximately 16 percent, or \$3.9 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 84 percent, or \$20.7 million is available for other spending purposes at the City Council’s discretion (*assigned, unassigned fund balance*).
- At June 30, 2020, the City’s General Fund totaled \$21.4 million. Of the total fund balance, \$0.062 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$8.5 million and unassigned fund balance of \$12.8 million. This portion of General Fund totaled \$21.3

million, which equaled 118 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2020. Although available, the City Council has classified this \$21.3 million for specific purposes, including emergencies.

- The City's total long-term liabilities decreased by \$.08 million (7 percent) during the current fiscal year. This decrease is the net effect of the payment made for principal retirement on Lease Revenue Refunding Bonds in October 2019, and an increase to Other Post-Employment Benefits (OPEB) and pension liability.

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 (82 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, 2020 and 2019
(in thousands)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 27,699	\$ 27,060
Capital assets	<u>113,076</u>	<u>114,118</u>
Total assets	<u>140,775</u>	<u>141,178</u>
Deferred Outflows of Resources:	<u>1,286</u>	<u>1,150</u>
Liabilities:		
Long-term liabilities	11,379	11,459
Other liabilities	<u>2,605</u>	<u>2,116</u>
Total liabilities	<u>13,984</u>	<u>13,575</u>
Deferred Inflows of Resources:	<u>169</u>	<u>97</u>
Net Position:		
Net investment in capital assets	104,695	105,278
Restricted	3,877	4,115
Unrestricted	<u>19,336</u>	<u>19,263</u>
Total net position	<u>\$ 127,908</u>	<u>\$ 128,656</u>

During the fiscal year ended June 30, 2020, net position of the City decreased .58 percent to \$127.9 million, of which \$104.7 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 \$19.3 million, an increase of .38 percent from the prior year total of \$19.2 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, 2020 and 2019
(in thousands)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for service	\$ 1,192	\$ 1,336
Operating grants and contributions	3,997	3,129
Capital grants and contributions	74	163
General revenues:		
Property taxes	7,974	7,698
Sales taxes	6,729	7,110
Fees and intergovernmental	1,418	1,461
Other revenues	182	847
Investment revenue	516	571
Total revenues	<u>22,082</u>	<u>22,315</u>
Expenses		
General government	4,143	4,043
Building and planning	1,158	1,212
Public safety	10,080	9,777
Public works	7,175	6,160
Interest expense	274	291
Total expenses	<u>22,830</u>	<u>21,483</u>
Excess (deficit) of revenues over expenses	<u>(748)</u>	<u>832</u>
Increase (Decrease) in net position	(748)	832
Beginning net position	<u>128,656</u>	<u>127,824</u>
Ending net position	<u><u>\$ 127,908</u></u>	<u><u>\$ 128,656</u></u>

Overall, Citywide revenues for the fiscal year ended June 30, 2020 decreased by \$.23 million a 1.04 percent decreased over the prior year. Property tax revenue increased by \$0.28 million and sales tax revenue decreased by \$0.38 million due to impacts of the stay-at-home orders and the shuttering of businesses due to the COVID-19 health crisis. Other revenue decreased by \$0.67 million due to one-time revenue received in the prior fiscal year.

- Total program revenues of \$5.3 million were 24 percent of total revenues.
- Total general revenues of \$16.8 million were 76 percent of total revenues.

Total related expenses increased by \$1.35 million, a 6.3 percent increase from the prior year. Public Works expenses, which account for 31 percent of the total expenses, were used for street and median renovation and repair projects throughout the City, the El Paseo Corridor Improvements project, traffic signal equipment upgrades and enhancements, as well as, the first phases of construction on the Santa Margarita Parkway Bridge Hinge Repair project. There was also final maintenance work on the Chiquita Ridge Habitat restoration project. Public Safety expenses accounted for 44 percent of total current expenses. The overall increase in expense also reflects the completion of ongoing and current year capital projects, as well as, nominal increases to various annual costs.

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, 2020, the City's governmental funds reported total combined ending fund balances of \$24.6 million, a decrease of \$.32 million from the prior year. Approximately 35 percent of the City's governmental funds ending fund balances, or \$8.5 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 50 percent of the City's governmental funds ending fund balances, or \$12.2 million, constitutes *unassigned fund balance*, which is available for spending at the government's direction. *Restricted fund balance* of \$3.9 million, or 15.7 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, \$0.05 million, is *committed* to indicate that it is not available for new spending, because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period (\$0.02 million), 2) a reserve for self-insurance deductible liability (\$0.03 million).

General Fund Financial Highlights

The general fund is the chief operating fund of the City. At June 30, 2020, assigned fund balance was \$8.5 million and unassigned fund balance of the general fund was \$12.8 million, while total fund balance was \$21.4 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 70.9 percent of the total General Fund expenditures including transfers. As mentioned above, however, the City Council has classified the assigned fund balance \$8.5 million for specified purposes.

City of Rancho Santa Margarita
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2020 and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Revenues		
Taxes	\$ 14,703	\$ 14,808
Fees and permits	1,768	1,832
Intergovernmental	279	346
Charges for service	485	674
Investment income	415	461
Fines, forfeits and penalties	216	169
Other	181	847
Total revenues	<u>18,047</u>	<u>19,137</u>
Expenditures		
General government	3,778	3,804
Building and planning	1,143	1,203
Public safety	9,189	9,650
Public works	2,199	2,162
Debt service		84
Total expenditures	<u>16,309</u>	<u>16,903</u>
Excess (Deficit) of revenues over expenditure	1,738	2,234
Net transfers	<u>(995)</u>	<u>(326)</u>
Increase in Fund Balance	<u><u>\$ 743</u></u>	<u><u>\$ 1,908</u></u>
Net change in fund balance from the Government Funds	743	1,908

For the fiscal year ended June 30, 2020, the cash and investments balance in the General Fund was \$20.3 million, which is flat compared to the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2020 decreased by \$1.09 million, or 5.7 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 \$0.28 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 \$4.9 million of the \$14.7 million in overall taxes category.
- Sales tax revenues decreased \$0.38 million, to \$6.73 million, due to impacts of the stay-at-home orders and the shuttering of businesses due to the COVID-19 health crisis.
- Other revenue decreased by \$0.67 million, to \$0.18 million, mostly due to a settlement payment stemming from litigation regarding the Vista Drive street project that was received in the prior fiscal year.

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2020:

- General government expenditures decreased by .68 percent to \$3.8 million from the prior year expenditures. General Government was basically flat from year to year, with the difference stemming from the net effect of changes in a variety of expenditures throughout the general government departments.
- Public safety expenditures decreased by \$.46 million to \$9.19 million. This decrease is due to the overall net effect of annual increased contract costs associated with police services provided by the Orange County Sheriff's Department, which were reduced by offsetting vacancy credits applied the contract in each fiscal year, as well as, an allocation of CARES Act funding towards costs associated with the COVID-19 health crisis. The City's Animal Control costs were slightly higher due to standard contract increases in Fiscal Year 2019/20. Public safety expenditures were 56 percent of total General Fund expenditures.
- Public works expenditures increased by \$0.037 million, to \$2.19 million, due to the net effect of the Public Works administration experienced higher costs in the areas of storm water (NPDES) and solid waste management, as well as, increased costs in landscape and park maintenance contracts. Some of this increase was offset by more staff time being charged directly to various capital improvement projects in the CIP fund. Under Street Maintenance, there was also a slight increase in the street sweeping contract; however, there was an offsetting decrease in building maintenance cost due to the closure of the Bell Tower Regional Community Center related to the COVID-19 health crisis.
- Building and planning expenditures decreased by \$0.06 million, to \$1.14 million, due to most of the Hazard Mitigation Plan and General Plan Update was completed in the prior fiscal year. Economic Development costs were also lower as many events and conferences were cancelled due to the COVID-19 health crisis. Building permit costs were on track to be higher in FY 2019/20, but came in flat due to the reduction in activity related to the current health crisis.
- Debt Service expenditures decreased as the final Mitigation payment was made in the prior fiscal 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 decreased \$.465 million and currently has a negative fund balance of \$.261 million. This decrease in fund balance stems from the use of fund balance towards various projects; however, the

negative fund balance is the result the grant revenues received by the City outside the revenue recognition availability period.

General Fund Budgetary Highlights

Differences between the General Fund expenditures/transfers out and the final amended budget were \$1.83 million and can be briefly summarized as follows:

- \$0.17 million in decreases allocated to public works activities.
- \$1.20 million in decreases for public safety activities.
- \$0.13 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 \$0.121 million. This increase was a budget amendment to provide additional funding for the police services law enforcement contract due to approved OCSD salary negotiations after the City's budget was approved, as well as, additional funds to be used towards the general plan update project, and increased costs for solid waste management and corresponding City attorney expenses.

Capital Asset and Debt Administration

Capital Assets

The City's net capital assets for its governmental activities, as of June 30, 2020, amounts to \$113.1 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 .91 percent.

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

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Governmental Activities:				
Total capital assets not being depreciated	\$ 97,751	\$ 999	\$ 358	\$ 98,392
 Total capital assets being depreciated	 85,787	 394	 -	 86,181
Total accumulated depreciation	69,420	2,077	-	71,497
Total capital assets, being depreciated, net	16,367	(1,683)	-	14,684
Governmental activities capital assets, net	<u>\$ 114,118</u>	<u>\$ (684)</u>	<u>\$ 358</u>	<u>\$ 113,076</u>

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

- Additions to construction in progress were \$.99 million included the design work for projects to be completed in future years for various street, traffic, and bridge improvements. The additions include the completion of ADA curb ramp installation, traffic signal battery backup system, traffic calming and emergency vehicle pre-emption projects. On-going projects include traffic signal enhancements, the SMP Bridge Hinge Repair project, as well as, the Splash Pad project at Central Park.
- Infrastructure additions for the year totaled \$0.36 million related to the completion of electronic traffic control devices and a battery backup system, as well as, ADA curb ramp installations.
- Machinery and Equipment acquisitions of \$0.03 million included the purchase of a new City police motorcycle and completion of additional video surveillance equipment at City Hall.

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 2020, 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 85.4, or satisfactory. This average PCI was maintained since the last update in 2019. 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 \$8.7 million.

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

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Long- Term	Due Within One Year
Lease Revenue						
Refunding Bonds	9,185	-	482	8,703	\$ 8,233	470
Compensated						
Absences	272	278	237	313	172	141
Long-Term Liabilities						
Total	<u>\$ 9,457</u>	<u>\$ 278</u>	<u>\$ 719</u>	<u>\$ 9,016</u>	<u>\$8,405</u>	<u>\$ 611</u>

Long-term debt-related events during the fiscal year ended June 30, 2020 included:

- Compensated absences liabilities increased to \$0.31 million and usage by employees amounted for \$0.24 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2020 totaled \$0.45 million.

Other long-term liability events during the fiscal year ended June 30, 2020 included:

- Other post-employment benefit liabilities, (OPEB) increased by \$0.22 million.
- The Net Pension Liability for Fiscal year 2019/20 had a net increase of \$0.14 million.

Additional information on the City's long-term debt can be found entitled Note 1 – Reporting Entity and Summary of Significant Accounting Policies and Note 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 2019-2020 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.

An aerial photograph of Rancho Santa Margarita, California. The image shows a large, calm lake in the foreground, reflecting the sky and surrounding greenery. To the left of the lake is a dense residential area with many houses featuring red-tiled roofs. In the background, rolling hills and mountains are visible under a cloudy sky. The text "Government-Wide Financial Statements" is overlaid in a large, white, serif font across the upper portion of the image.

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, 2020

	Governmental Activities
Assets:	
Cash and investments (note 2)	\$ 24,877,256
Cash and investments with fiscal agent (note 2)	816
Receivables:	
Due from other governments	2,420,121
Accrued interest	78,472
Accounts, net	310,500
Prepaid items	11,807
Non-depreciable capital assets (note 4)	98,392,316
Capital assets, depreciated, net (note 4)	14,683,667
Total assets	<u>140,774,955</u>
Deferred Outflows of Resources:	
Deferred amount on refunding, net of accumulated amortization	320,930
Deferred amounts on OPEB (note 7)	278,216
Deferred amounts on pension plan (note 6)	686,931
Total deferred outflows of resources	<u>1,286,077</u>
Liabilities:	
Accounts payable	1,924,052
Wages payable	132,463
Retentions payable	175,362
Deposits	328,390
Interest payable	45,173
Long-term liabilities (note 5):	
Due within one year	611,263
Due in more than one year	8,405,308
Other Post-Employment Benefits (OPEB) Liability (note 7)	664,841
Net Pension Liability (note 6)	1,697,876
Total liabilities	<u>13,984,728</u>
Deferred Inflows of Resources:	
Deferred amounts on pension plan (note 6)	67,521
Deferred amounts on OPEB (note 7)	101,144
Total deferred inflows of resources	<u>168,665</u>
Net position:	
Net investment in capital assets	104,695,075
Restricted for:	
Public safety	212,539
Public works	3,664,065
Unrestricted	19,335,960
Total net position	<u>\$ 127,907,639</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

		Program Revenues			Net Governmental Activities
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
	<u>Expenses</u>				
Governmental activities:					
General government	\$ 4,143,355	246,938	461,652	-	(3,434,765)
Building and planning	1,158,233	650,298	135,104	-	(372,831)
Public safety	10,080,372	216,076	590,844	-	(9,273,452)
Public works	7,175,142	79,086	2,809,155	74,394	(4,212,507)
Interest expense	273,645	-	-	-	(273,645)
Total governmental activities	<u>\$ 22,830,747</u>	<u>\$ 1,192,398</u>	<u>\$ 3,996,755</u>	<u>\$ 74,394</u>	<u>(17,567,200)</u>
General revenues:					
Taxes:					
Property taxes					7,683,778
Sales taxes					6,729,367
Real property transfer taxes					289,637
Franchise fees					1,379,572
Investment income					516,497
Motor vehicle fees, unrestricted					38,750
Other					181,558
					<u>16,819,159</u>
Total general revenues					
Change in net position					(748,041)
Net position at beginning of year					<u>128,655,680</u>
Net position at end of year					<u>\$ 127,907,639</u>

See Accompanying Notes to the Basic Financial Statements

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Fund Financial Statements

City of Rancho Santa Margarita, California

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CAPITAL PROJECTS FUND

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

CARES FUND

This fund is used to account for the City's Coronavirus Aid, Relief, and Economic Security Act funds allocated to the City from both the State of California and the County of Orange.

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, 2020

Assets	General	Capital Projects	CARES	Non-Major Governmental Funds	Totals
Cash and investments	\$ 20,278,967	\$1,034,981	\$ -	\$ 3,563,308	\$ 24,877,256
Cash and investments w/fiscal agent	-	-	-	816	816
Receivables:					
Due from other governments	1,523,308	48,081	-	332,773	1,904,162
Due from other governments - deferred	22,555	493,404	-	-	515,959
Due from other funds	357,532	-	-	-	357,532
Accrued interest	62,347	757	585	14,783	78,472
Accounts, net	310,500	-	-	-	310,500
Prepaid items	11,807	-	-	-	11,807
Total assets	<u>22,567,016</u>	<u>1,577,223</u>	<u>585</u>	<u>3,911,680</u>	<u>28,056,504</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	718,730	1,169,640	1,422	34,260	1,924,052
Wages payable	132,463	-	-	-	132,463
Due to other funds	-	-	357,532	-	357,532
Retentions payable	-	175,362	-	-	175,362
Deposits	328,390	-	-	-	328,390
Total liabilities	<u>1,179,583</u>	<u>1,345,002</u>	<u>358,954</u>	<u>34,260</u>	<u>2,917,799</u>
Deferred Inflows of Resources:					
Unavailable revenue from grants	22,555	493,404	-	-	515,959
Total deferred inflows of resources	<u>22,555</u>	<u>493,404</u>	<u>-</u>	<u>-</u>	<u>515,959</u>
Fund balance:					
Nonspendable: Prepaid items	11,807	-	-	-	11,807
Restricted for debt service	-	-	-	816	816
Restricted for public safety	-	-	-	212,539	212,539
Restricted for public works	-	-	-	3,664,065	3,664,065
Committed for Habitat Restoration	20,004	-	-	-	20,004
Committed for self insurance	30,000	-	-	-	30,000
Assigned:					
Council projects/equipment/facilities	8,512,921	-	-	-	8,512,921
Unassigned	12,790,146	(261,183)	(358,369)	-	12,170,594
Total fund balance	<u>21,364,878</u>	<u>(261,183)</u>	<u>(358,369)</u>	<u>3,877,420</u>	<u>24,622,746</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 22,567,016</u>	<u>\$1,577,223</u>	<u>\$ 585</u>	<u>\$ 3,911,680</u>	<u>\$ 28,056,504</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, 2020**

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

Fund balances of governmental funds		\$ 24,622,746
Capital assets net of depreciation have not been included as financial resources in governmental funds:		113,075,983
Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:		
Lease Revenue Refunding Bonds Payable		(8,335,000)
Bond Premium		(367,654)
Deferred Amount on Bond Refunding, net		320,930
Accrued Interest Payable		(45,173)
Compensated Absences Payable		(313,917)
Other Post Employment Benefits (OPEB)		
Deferred outflows of resources	278,216	
Deferred Inflows of resources	(101,144)	
Other Post Employment Benefits (OPEB) Liability	(664,841)	
		(487,769)
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	686,931	
Deferred inflows of resources	(67,521)	
Pension Liability	(1,697,876)	
		(1,078,466)
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.		515,959
Net position of governmental activities		\$ 127,907,639

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, 2020**

	General	Capital Projects	CARES	Non-Major Governmental Funds	Totals
Revenues:					
Taxes	\$ 14,702,782	\$ -	\$ -	\$ -	\$ 14,702,782
Fees and permits	1,768,147	-	-	-	1,768,147
Intergovernmental	278,754	74,394	428,657	2,965,161	3,746,966
Charges for services	484,508	-	-	-	484,508
Investment income	415,645	3,773	586	96,492	516,496
Fines, forfeits and penalties	216,076	-	-	-	216,076
Other	181,558	-	-	-	181,558
Total revenues	<u>18,047,470</u>	<u>78,167</u>	<u>429,243</u>	<u>3,061,653</u>	<u>21,616,533</u>
Expenditures:					
Current:					
General government	3,778,814	-	19,249	973	3,799,036
Building and planning	1,142,984	-	-	-	1,142,984
Public safety	9,188,948	-	768,363	123,061	10,080,372
Public works	2,198,915	3,692,284	-	287,143	6,178,342
Debt Service:					
Principal retirement	-	-	-	455,000	455,000
Interest	-	-	-	280,138	280,138
Total expenditures	<u>16,309,661</u>	<u>3,692,284</u>	<u>787,612</u>	<u>1,146,315</u>	<u>21,935,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,737,809</u>	<u>(3,614,117)</u>	<u>(358,369)</u>	<u>1,915,338</u>	<u>(319,339)</u>
Other financing sources (uses):					
Transfers in (note 3)	734,603	3,148,778	-	735,096	4,618,477
Transfers out (note 3)	(1,729,513)	-	-	(2,888,964)	(4,618,477)
Total financing sources (uses)	<u>(994,910)</u>	<u>3,148,778</u>	<u>-</u>	<u>(2,153,868)</u>	<u>-</u>
Net change in fund balances	742,899	(465,339)	(358,369)	(238,530)	(319,339)
Fund balances, beginning of year	<u>20,621,979</u>	<u>204,156</u>	<u>-</u>	<u>4,115,950</u>	<u>24,942,085</u>
Fund balances, end of year	<u>\$ 21,364,878</u>	<u>\$ (261,183)</u>	<u>\$ (358,369)</u>	<u>\$ 3,877,420</u>	<u>\$ 24,622,746</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF RANCHO SANTA MARGARITA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$ (319,339)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Expenditures	1,035,313
Depreciation of Capital Assets	(2,077,111)

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

Retired Principal on long term debt (Lease Revenue Refunding Bonds)	455,000
Amortization of deferred loss on bond refunding	(23,773)
Amortization of premium on Refunding Bonds Issued	27,234
Accrued Interest Payable on long term debt (Lease Revenue Refunding Bonds)	3,033
Compensated Absences	(41,382)
Change in OPEB Liability and related deferred outflows and inflows of resources	(34,205)

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.

	(238,983)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Conversely, collection of these revenues are reported in the governmental funds when received, but not in the Statement of Activities since they have been recognized previously.

	466,172
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Change in net position of governmental activities	\$ (748,041)
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A photograph of a park at dusk. In the foreground, there are several large, light-colored, bowl-shaped planters containing green shrubs and pink flowers. A concrete walkway runs through the middle ground. In the background, a row of tall palm trees stands against a dark blue sky. Several streetlights are illuminated, casting a warm glow. A dark car is visible in the distance on the right.

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, 2020**

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, 2020 (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, 2020 (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 and OPEB.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. 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, 2020 (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, 2020 (CONTINUED)**

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

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

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

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

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

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

(b) Major Funds

The major funds are described as follows:

General Fund

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

Capital Projects Fund

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

Cares Fund

This fund is used to account for the City’s Coronavirus Aid, Relief, and Economic Security Act funds allocated to the City from both the State of California and the County of Orange.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

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

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

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

(c) Cash and Investments

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

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

(d) Capital Assets

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

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

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

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

(e) Property Taxes

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

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

(f) Encumbrances

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

(g) Interfund Transactions

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

(h) Estimates

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

(i) Fund Equity

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

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

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has been granted to the City Manager by the City Council through resolution 13-06-26-01.

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

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

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and investments	\$24,877,256
Cash and investments with fiscal agent	<u>816</u>
Total Cash and Investments	<u>\$24,878,072</u>

Cash and investments at June 30, 2020 consisted of the following:

Cash and Investments held by City:	
Deposits in banks or on hand	\$ 7,776,370
Local Agency Investment Fund (LAIF)	<u>17,100,886</u>
Total Cash and Investments held by City	<u>\$24,877,256</u>
Cash and Investments held by Fiscal Agent:	
Money Market Mutual Fund	<u>\$ 816</u>
Total Cash and Investments	<u>\$24,878,072</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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

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

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

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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)	\$ 17,100,886	\$ 17,100,886	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Money Market Mutual Fund	816	816	-	-	-
Total	\$ 17,101,702	\$ 17,101,702	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

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

Investment Type	Total Amount	Minimum Legal Rating	Rating as of Fiscal Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 17,100,886	N/A	\$ -	\$ 17,100,886
Held by bond fiscal agent:				
Money Market Mutual Fund	816	AAA	816	-
Total	\$ 17,101,702		\$ 816	\$ 17,100,886

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investment securities* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments securities, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool that must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a market value of at least 150% of the secured public deposits, and letters of credit drawn on the Federal Home Loan Bank may have a minimum market value of 105% of the secured public deposits. At June 30, 2020, the City deposits (bank balances) were either insured by the Federal Deposit Insurance Corporation or collateralized in accordance with the California Government Code.

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

Investment in State Investment Pool

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

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The City's investment in LAIF and money market mutual funds are not subject to the fair value hierarchy.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 3 – TRANSFERS IN AND OUT

Transfers in and out for the year ended June 30, 2020 are as follows:

	Transfers From:			
	General Fund	Capital Projects Fund	Non-major Funds	Total
Transfers To:				
General Fund	\$ -	\$ -	\$ 734,603	\$ 734,603
Capital Projects	994,417	-	2,154,361	3,148,778
Non-major Funds	735,096	-	-	735,096
Total Transfers	\$ 1,729,513	\$ -	\$ 2,888,964	\$ 4,618,477

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

- The transfer of \$734,603 from the Non-major Funds to the General Fund was to fund street maintenance costs and traffic engineering services, which are both recorded in the General Fund.
- The transfer of \$2,154,361 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$950,155), various street rehabilitation projects (\$382,599) and other street, gateway, and sidewalk repairs and maintenance throughout the city (\$147,688). The transfer also includes traffic signal and equipment upgrades, as well as, the final phases of the emergency vehicle pre-emption project and the traffic signal battery backup system of (\$311,309). It also includes the Splash Pad project located at Central Park (\$81,103), as well as, the median hardscape renovation, a portion of the bridge hinge repair project, the storm drain system study, and other project costs for (\$281,507).
- The transfer of \$735,096 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 \$994,417 from the General Fund to the Capital Projects Fund was to fund habitat restoration and assessment (\$155,622), Vista Drive street repair project and other street projects (\$737,665), a majority of the El Paseo Corridor Improvement project of (\$98,000), as well as, some initial costs related to the City Hall flooring project of (\$3,130).

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,683,500	\$ -	\$ -	\$ 6,683,500
Land - right of way	43,570,119	-	-	43,570,119
Construction in progress	730,617	999,701	358,347	1,371,971
Infrastructure - pavement	46,766,726	-	-	46,766,726
Total capital assets not being depreciated	97,750,962	999,701	358,347	98,392,316
Capital assets being depreciated:				
Machinery & equipment	1,204,236	35,612	-	1,239,848
Buildings	18,431,392	-	-	18,431,392
Parks	1,170,827	-	-	1,170,827
Infrastructure - all others	64,980,501	358,347	-	65,338,848
Total capital assets being depreciated	85,786,956	393,959	-	86,180,915
Less accumulated depreciation:				
Machinery & equipment	976,453	91,450	-	1,067,903
Buildings	8,482,340	614,380	-	9,096,720
Parks	533,994	46,833	-	580,827
Infrastructure	59,427,350	1,324,448	-	60,751,798
Total accum. Depreciation:	69,420,137	2,077,111	-	71,497,248
Total capital assets being depreciated, net	16,366,819	(1,683,152)	-	14,683,667
Total capital assets, net	\$114,117,781	\$ (683,450)	\$ 358,347	\$113,075,983

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

General government	\$ 91,450
Public works	1,985,661
Total	<u>\$2,077,111</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 4 – CAPITAL ASSETS, (Continued)

Significant Commitments

The City had various active, on-going and un-completed projects at June 30, 2020. At year-end, the City's encumbrances with contractors or consultants for work performed before June 30, 2020, but not yet paid were as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Encumbered in General Fund:		
Open Space Habitat Restoration	\$2,850,207	\$ 20,004
General Plan Update	-	
Total encumbered in General Fund	<u>\$2,850,207</u>	<u>\$ 20,004</u>
Encumbered in Gas Tax Fund:		
SMP Bridge	\$ 571,046	\$ 43,102
Avenida de las Flores Slurry Seal	280,094	
Vista Drive Street Repairs	29,000	
Citywide Red Curb Evaluation	27,155	16,845
Storm Drain Masterplan	59,092	71,703
Total encumbered in Gas Tax Fund	<u>\$ 966,387</u>	<u>\$ 131,650</u>
Encumbered in TCRF Fund:		
Storm Drain Masterplan	\$ 131,000	\$ 34,000
Total encumbered in TCRF Fund	<u>\$ 131,000</u>	<u>\$ 34,000</u>
Encumbered in Local Park Trust Fund:		
Splash Pad	\$ 109,192	\$ 12,065
Total encumbered in Park Trust Fund	<u>\$ 109,192</u>	<u>\$ 12,065</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Due Within One Year
Lease Revenue Refunding Bonds					
City Hall & Regional					
Community Center	8,790,000	-	455,000	8,335,000	470,000
Bond premium	394,887	-	27,233	367,654	-
Compensated absences	272,535	278,485	237,103	313,917	141,263
Total Governmental					
Long-Term Liabilities	\$ 9,457,422	\$ 278,485	\$ 719,336	\$ 9,016,571	\$ 611,263

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

On December 19, 2012, the City of Rancho Santa Margarita Pubic 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, 2020 is \$8,335,000.

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, 2020 (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, 2020, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	470,000	261,638	731,638
2022	490,000	242,437	732,437
2023	505,000	222,537	727,537
2024	525,000	201,937	726,937
2025	545,000	180,538	725,538
2026 -2030	3,040,000	619,281	3,659,281
2031-2034	<u>2,760,000</u>	<u>167,775</u>	<u>2,927,775</u>
Totals	<u>\$ 8,335,000</u>	<u>\$ 1,896,143</u>	<u>\$10,231,143</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, 2020 (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, 2020, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to February 27, 2011	On or After February 27, 2011	On or After January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8.0% (a)	7.0%	7.25%
Required employer contribution rates:			
Normal cost rate	11.861%	8.876%	7.191% (b)
Payment of unfunded liability	\$90,056	\$5,617	\$933

(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, 2020 (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, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of the PERF C risk pool as follows:

	Proportionate Share of Net Pension Liability
	<hr/>
Miscellaneous	<u><u>\$ 1,697,876</u></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, 2019, 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, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The General Fund is typically used to liquidate pension liabilities.

The City's proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.04140%
Proportion - June 30, 2019	0.04240%
Change - Increase (Decrease)	0.00100%

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.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 6 – PENSION PLAN (continued)

The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on pension plan investments follow a 5-year straight-line amortization. All other amounts follow a straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

For the year ended June 30, 2020, the City recognized pension expense of \$556,526. At June 30, 2020, 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	\$ 80,962	\$ 28,700
Differences between actual and expected experience	117,925	9,137
Differences between projected and actual investment earnings		29,684
Differences between employer's contributions and proportionate share of contributions	99,067	
Change in employer's proportion	71,434	
Pension contributions made subsequent to measurement date	317,543	
Total	<u>\$ 686,931</u>	<u>\$ 67,521</u>

\$317,543 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 233,725
2022	28,454
2023	33,689
2024	5,999
2025	0
Thereafter	0

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

Actuarial Assumptions

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward June 30, 2018 total pension liability determined in the June 30, 2018 actuarial accounting valuation. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
- (3) The lesser of contract COLA up or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

For more details on this table, please refer to the December 2017 experience study report based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

Change of Assumptions

In 2018, demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no recent changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 6 – PENSION PLAN (continued)

Long-term Expected Rate of Return (continued)

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

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10 (b)	Real Returns Years 11+ (c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) In the system's CAFR, Fixed Income is included in Global Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% 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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 2,809,615
Current Discount Rate	7.15%
Net Pension Liability	\$ 1,697,876
1% Increase	8.15%
Net Pension Liability	\$ 780,213

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (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.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Employees Covered

Employees are eligible to receive the minimum medical premium subsidy benefit amount provided by the plan if they: 1) Satisfy eligibility requirements for vesting of benefits required by CalPERS; 2) Retire from employment with the City; 3) Elect to continue medical insurance coverage through the CalPERS plan; and 4) Pay all additional premium amounts required for the coverage option selected by them to continue in the group medical insurance plan upon retirement from the City, but must pay all premiums required to retain coverage. To receive the City's medical premium subsidy benefit, retirees must also be vested members of the CalPERS retirement system; i.e., retire on or after age 50 with 5 years of CalPERS retirement membership contributions. If the retiree discontinues coverage in the CalPERS health insurance plan, the City's obligation to pay a premium subsidy benefit ends. Retirees may continue in the CalPERS plan for the remainder of their lives. The City is not obligated under the group medical insurance plan to pay premiums for any retirees or provide post-retirement medical or health insurance benefits for retirees, or their spouses, partners, or relatives; other than the required minimum benefit payment. Eligibility for the City plan consisted of the following at June 30, 2019 (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>22</u>
Total	<u>27</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

Contributions

The City pays only the minimum required monthly premium subsidy benefit amount for retired City employees; an amount that can be amended by City Council action. The required premium is made (paid) monthly directly to CalPERS at the current-fiscal-year rate set by CalPERS, which is adjusted annually based on the medical cost component of the consumer price index. For Fiscal Year 2019/20, the City paid \$136 or \$139 per month as the full amount required by the plan for each retiree from City service, for a total contribution of \$27,371, which is made up of a cash contribution of \$9,779 and an implicit subsidy of \$17,592. 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, 2019 and the total OPEB liability was calculated as the actuarial present value of projected benefit payments (APVPBP) minus the present value of future service costs. The City did not rerun prior valuations under GASB 75; therefore, in order to determine the beginning net OPEB liability (NOL), the actuary used a "roll-back" technique. The total OPEB liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.50%
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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

Notes:

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 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, 2020 (CONTINUED)

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

Changes in the OPEB Liability

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

	<u>Increase (Decrease)</u> Total OPEB Liability (a)
Roll back balance as June 30, 2018	\$ 441,374
Changes recognized for the measurement period:	
Service Cost	31,006
Interest	17,189
Changes of assumptions	273,859
Net Investment income	-
Experience (Gains) / Losses	(89,499)
Benefit payments	(8,070)
Benefit payment terms	(1,018)
Administrative expense	-
Net Changes during 2018-19	223,467
Balance at June 30, 2019 (Measurement Date June 30, 2019)	\$ 664,841

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, 2019:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
OPEB Liability	\$755,928	\$664,841	\$590,287

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (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, 2019:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
OPEB Liability	\$593,945	\$664,841	\$747,489

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, 2020, the City recognized OPEB expense of \$61,576. As of fiscal year ended June 30, 2020, 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	\$ 27,371	\$ -
Changes of Assumptions	250,845	18,234
Changes in Experience	-	82,910
Total	\$ 278,216	\$ 101,144

The \$27,371 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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

Year Ending June 30,	Deferred Outflows/Inflows of Resources
2020	\$ 13,381
2021	13,381
2022	13,381
2023	13,381
2024	5,277
Thereafter	90,900

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 \$110,863 for the fiscal year ended June 30, 2020.

Workers' Compensation and Employer's Liability

There is a \$10,000 self-insured retention (SIR) per claim and the policy provides statutory limits. The annual contribution for this coverage was \$82,710 for the fiscal year ending June 30, 2020.

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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

NOTE 8 – RISK MANAGEMENT (continued)

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, 2020. 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.

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

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

NOTE 10 – GENERAL FUND AND CAPITAL IMPROVEMENT FUND BALANCE CLASSIFICATIONS

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

NOTE 10 – GENERAL FUND BALANCE CLASSIFICATIONS (continued)

The City's General fund balance classifications at June 30, 2020, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Unspendable: Prepaid items	\$ 11,807
Committed for Habitat Restoration	20,004
Committed for self insurance	30,000

Assigned:

Council Strategic	\$ 2,277,397	
Technology	788,765	
Facilities	3,852,926	
Vehicles	268,786	
Infrastructure	1,325,047	
Total Assigned: Council projects/equipment/facilities		8,512,921

Unassigned:

Emergency Policy	12,790,146
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Total General Fund Balance	<u>\$ 21,364,878</u>
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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, 2020 (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.

The City's Capital Improvement Project fund balance at June 30, 2020, is presented below and is followed by an explanation as to the nature of the negative unassigned fund balance:

Capital Improvement Project Fund:	
Unassigned Fund Balance	(\$261,183)

The Capital Improvement Project Fund has an unassigned negative balance of \$261,183. The negative balance is due to the reimbursement of grant funds for the expenditures of the Bridge Hinge Repair project from the Highway Bridge Program (HBP) and grant funds for the ADA Curb Ramp Installation Project from the Community Development Block Grant (CDBG) were not received within the City's revenue recognition availability period. The grant funds from HPB of \$379,563 and the grant funds from CDBG of \$113,841 have since been received by the City, and recorded in the Capital Improvement Project Fund in the fiscal year 2020/21.

NOTE 11 – OPERATING LEASE

The City entered into a non-cancelable operating lease agreement with Toshiba Financial Services in August 2019 for copy equipment at City Hall and BTRCC at a cost of \$26,856. The monthly cost of the 3-year lease agreement is \$746 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>
2021	\$ 8,952
2022	8,952
2023	746
	<u>\$ 18,650</u>

NOTE 12 – EXCESS EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations for the year ended June 30, 2020 as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
210	\$ 280,008	\$ 287,143	\$ (7,135)

Required Supplementary Information



City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Last Ten Fiscal Years*

Fiscal year ended June 30	2020	2019	2018	2017	2016	2015
Measurement date ended June 30	2019	2018	2017	2016	2015	2014
Plan's proportion of the net pension liability	0.01657%	0.01619%	0.01661%	0.01653%	0.01721%	0.01626%
Plan's proportionate share of the net pension liability	\$ 1,697,876	\$ 1,560,147	\$ 1,646,931	\$ 1,430,589	\$ 1,180,978	\$ 1,011,781
Plan's covered payroll	\$ 2,269,275	\$ 2,226,095	\$ 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	74.82%	70.08%	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	75.26%	75.26%	73.31%	74.06%	78.40%	78.25%
Plan's proportionate share of aggregate employer contributions	\$ 272,138	\$ 228,430	\$ 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.

From fiscal year June 30, 2018 to June 30, 2019:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

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

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 317,543	\$ 331,671	\$ 300,998	\$ 296,102	\$ 269,353	\$ 258,665
Contributions in relation to the actuarially determined contributions	317,543	331,671	300,998	296,102	269,353	258,665
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$2,481,988	\$2,269,275	\$2,226,095	\$2,284,352	\$2,144,126	\$1,784,340
Contributions as a percentage of covered payroll	12.79%	14.62%	13.52%	12.96%	12.56%	14.50%
Notes to Schedule:						
Valuation Date	6/30/2017	6/30/2016	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	2.50% **
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. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvements using 90% of scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the December 2017 experience study report.**

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

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

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

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, 2020

Measurement Date ended June 30	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 31,006	\$ 32,568	\$ 31,696
Interest on the total OPEB liability	17,189	16,531	13,886
Actual and expected experience difference	(89,499)	-	-
Changes in assumptions	273,859	(22,286)	-
Changes in benefit terms	(1,018)	-	-
Benefit payments	(8,070)	(8,338)	(8,017)
Net change in total OPEB liability	223,467	18,475	37,565
Total OPEB liability - beginning	441,374	422,899	385,334
Total OPEB liability - ending (a)	\$ 664,841	\$ 441,374	\$ 422,899
Covered-employee payroll	\$ 2,269,275	\$ 2,269,275	\$ 2,226,095
Net OPEB liability as a percentage of covered-employee payroll	29.30%	19.45%	19.00%

Notes to Schedule:

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

Future years' information will be displayed up to 10 years as information becomes available.

The discount rate changed from 3.5% to 3.8% for the valuation done as of the June 30, 2018 measurement date.

The discount rate changed back to 3.5% from 3.8% for the valuation done as of the June 30, 2019 measurement date.

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 FISCAL YEAR ENDED JUNE 30, 2020**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes	\$ 14,706,620	\$ 14,706,620	\$ 14,702,782	\$ (3,838)
Fees and permits	1,767,195	1,767,195	1,768,147	952
Intergovernmental	367,041	367,041	278,754	(88,287)
Charges for service	700,612	700,612	484,508	(216,104)
Investment income	300,515	300,515	415,645	115,130
Fines, forfeits and penalties	159,132	159,132	216,076	56,944
Other	57,955	57,955	181,558	123,603
Total revenues	18,059,070	18,059,070	18,047,470	(11,600)
Expenditures:				
General government	4,021,276	4,041,276	3,778,814	262,462
Building and planning	1,162,263	1,189,363	1,142,984	46,379
Public safety	10,358,301	10,411,956	9,188,948	1,223,008
Public works	2,345,360	2,365,360	2,198,915	166,445
Total expenditures	17,887,200	18,007,955	16,309,661	1,698,294
Other financing sources (uses):				
Transfers in (note 3)	760,912	760,912	734,603	(26,309)
Transfers out (note 3)	(1,859,138)	(1,859,138)	(1,729,513)	129,625
Total financing sources (uses)	(1,098,226)	(1,098,226)	(994,910)	103,316
Net change in fund balances	(926,356)	(1,047,111)	742,899	1,790,010
Fund balances, beginning of year	20,621,979	20,621,979	20,621,979	-
Fund balances, end of year	\$ 19,695,623	\$ 19,574,868	\$ 21,364,878	\$ 1,790,010

See notes to required supplementary information

CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 2019 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, 2020 (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>
2020: Pavement subsystem	85.4	70
2019: Pavement subsystem	81.3	70
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.

CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)

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

Based on the pavement condition assessment update performed in FY 2019, as of June 30, 2020, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 85.4, or satisfactory.

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 \$2,418,205 have been budgeted for the fiscal year ending June 30, 2021, for maintenance/rehabilitation to maintain PCI standard.

	Street Maintenance Cost	Street Maintenance Budget
June 2020	\$ 3,195,602	\$ 3,561,634
June 2019	\$ 2,366,491	\$ 3,689,634
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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (CONTINUED)**

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING, (Continued)

2. Budget development discussions are conducted at public workshops, and City Council study sessions and regular meetings, to obtain resident and business comments.
3. Prior to July 1, the budget is adopted by Council action at a public hearing.

Formal budgetary integration is employed as a management control device during the year. After adoption, the City Manager is authorized to transfer appropriated funds between major expenditure categories within departments and between departments. However, any revisions that alter the total appropriations of any fund must be approved by the City Council. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at the end of the fiscal year, except for capital projects. For any project which is under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current year budget.

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

A photograph of a bell tower at dusk. The tower has two levels of bell openings, each containing three bells. A large, bright yellow projection is cast onto the front face of the tower, featuring the text 'HAPPY 20TH RSM' surrounded by stars. The sky is a mix of blue and orange from the setting sun. The building has arched windows and doorways at the base.

City of Rancho Santa Margarita, California

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds and Debt Service Fund

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

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

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

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

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

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

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

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

Road Maintenance & Rehabilitation Account Fund – This fund is used to account for the City’s share of RMRA revenue, which the State of California has allocated to address rehabilitation, and critical safety projects on the local streets and roads system.

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

**CITY OF RANCHO SANTA MARGARITA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Special Revenue Funds			
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>	<u>Traffic Congestion Relief Fund</u>
Assets				
Cash and investments	\$ 703,188	\$ 59,342	\$ 89,042	\$ 39,030
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	97,714	90,245	15,323	-
Interest receivable	2,738	1,347	634	358
Total assets	<u>803,640</u>	<u>150,934</u>	<u>104,999</u>	<u>39,388</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	25,110	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>25,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for debt service	-	-	-	-
Restricted for public safety	-	-	-	-
Restricted for public works	778,530	150,934	104,999	39,388
Unassigned	-	-	-	-
Total fund balances	<u>778,530</u>	<u>150,934</u>	<u>104,999</u>	<u>39,388</u>
Total liabilities and fund balances	<u>\$ 803,640</u>	<u>\$ 150,934</u>	<u>\$ 104,999</u>	<u>\$ 39,388</u>

Special Revenue Funds				Debt Service Fund	Totals
Local Park Trust Fund	Supplemental Law Enforce- ment Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	
\$ 1,378,683	\$ 220,928	\$ 706,445	\$ 366,650	\$ -	\$ 3,563,308
-	-	-	-	816	816
-	-	-	129,491	-	332,773
4,666	761	2,313	1,966	-	14,783
<u>1,383,349</u>	<u>221,689</u>	<u>708,758</u>	<u>498,107</u>	<u>816</u>	<u>3,911,680</u>
-	9,150	-	-	-	34,260
-	-	-	-	-	-
<u>-</u>	<u>9,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,260</u>
-	-	-	-	816	816
-	212,539	-	-	-	212,539
1,383,349	-	708,758	498,107	-	3,664,065
-	-	-	-	-	-
<u>1,383,349</u>	<u>212,539</u>	<u>708,758</u>	<u>498,107</u>	<u>816</u>	<u>3,877,420</u>
<u>\$ 1,383,349</u>	<u>\$ 221,689</u>	<u>\$ 708,758</u>	<u>\$ 498,107</u>	<u>\$ 816</u>	<u>\$ 3,911,680</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, 2020**

	Special Revenue Funds			
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>	<u>Traffic Congestion Relief</u>
Revenues:				
Intergovernmental	\$ 1,086,678	\$ 757,501	\$ 61,953	\$ 55,042
Investment income	15,318	9,279	5,055	2,362
Total revenues	<u>1,101,996</u>	<u>766,780</u>	<u>67,008</u>	<u>57,404</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	287,143	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>287,143</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>814,853</u>	<u>766,780</u>	<u>67,008</u>	<u>57,404</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(736,410)	(1,078,079)	(219,149)	(131,000)
Total financing sources (uses)	<u>(736,410)</u>	<u>(1,078,079)</u>	<u>(219,149)</u>	<u>(131,000)</u>
Net change in fund balances	78,443	(311,299)	(152,141)	(73,596)
Fund balances, beginning of year	<u>700,087</u>	<u>462,233</u>	<u>257,140</u>	<u>112,984</u>
Fund balances (deficit), end of year	<u>\$ 778,530</u>	<u>\$ 150,934</u>	<u>\$ 104,999</u>	<u>\$ 39,388</u>

<u>Special Revenue Funds</u>				<u>Dept Service Fund</u>	<u>Totals</u>
<u>Local Park Trust Fund</u>	<u>Supplemental Law Enforce- ment Services</u>	<u>PEG Fee Fund</u>	<u>RMRA Fund</u>	<u>Rancho Santa Margarita PFA</u>	
\$ -	\$ 156,006	\$ -	\$ 847,981	\$ -	\$ 2,965,161
31,748	4,964	15,432	12,017	317	96,492
<u>31,748</u>	<u>160,970</u>	<u>15,432</u>	<u>859,998</u>	<u>317</u>	<u>3,061,653</u>
-	-	973	-	-	973
-	123,061	-	-	-	123,061
-	-	-	-	-	287,143
-	-	-	-	455,000	455,000
-	-	-	-	280,138	280,138
<u>-</u>	<u>123,061</u>	<u>973</u>	<u>-</u>	<u>735,138</u>	<u>1,146,315</u>
<u>31,748</u>	<u>37,909</u>	<u>14,459</u>	<u>859,998</u>	<u>(734,821)</u>	<u>1,915,338</u>
-	-	-	-	735,096	735,096
(81,103)	-	-	(643,223)	-	(2,888,964)
<u>(81,103)</u>	<u>-</u>	<u>-</u>	<u>(643,223)</u>	<u>735,096</u>	<u>(2,153,868)</u>
(49,355)	37,909	14,459	216,775	275	(238,530)
<u>1,432,704</u>	<u>174,630</u>	<u>694,299</u>	<u>281,332</u>	<u>541</u>	<u>4,115,950</u>
<u>\$ 1,383,349</u>	<u>\$ 212,539</u>	<u>\$ 708,758</u>	<u>\$ 498,107</u>	<u>\$ 816</u>	<u>\$ 3,877,420</u>

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

Special Revenue Funds

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

Debt Service Fund

- Debt Service

Capital Projects Fund

- Capital Projects

CITY OF RANCHO SANTA MARGARITA
GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,238,796	\$ 1,238,796	\$ 1,086,678	\$ (152,118)
Investment income	5,812	5,812	15,318	9,506
Total revenues	<u>1,244,608</u>	<u>1,244,608</u>	<u>1,101,996</u>	<u>(142,612)</u>
Expenditures:				
Public works - current	280,008	280,008	287,143	(7,135)
Total expenditures	<u>280,008</u>	<u>280,008</u>	<u>287,143</u>	<u>(7,135)</u>
Other financing sources (uses):				
Transfers out	(1,321,680)	(1,321,680)	(736,410)	585,270
Total financing sources (uses)	<u>(1,321,680)</u>	<u>(1,321,680)</u>	<u>(736,410)</u>	<u>585,270</u>
Net change in fund balances	(357,080)	(357,080)	78,443	435,523
Fund balances, beginning of year	<u>700,087</u>	<u>700,087</u>	<u>700,087</u>	<u>-</u>
Fund balances, end of year	<u>\$ 343,007</u>	<u>\$ 343,007</u>	<u>\$ 778,530</u>	<u>\$ 435,523</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, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 759,512	\$ 759,512	\$ 757,501	\$ (2,011)
Investment income	2,285	2,285	9,279	6,994
Total revenues	<u>761,797</u>	<u>761,797</u>	<u>766,780</u>	<u>4,983</u>
Other financing sources (uses):				
Transfers out	<u>(1,187,232)</u>	<u>(1,187,232)</u>	<u>(1,078,079)</u>	<u>109,153</u>
Total financing sources (uses)	<u>(1,187,232)</u>	<u>(1,187,232)</u>	<u>(1,078,079)</u>	<u>109,153</u>
Net change in fund balances	(425,435)	(425,435)	(311,299)	114,136
Fund balances, beginning of year	<u>462,233</u>	<u>462,233</u>	<u>462,233</u>	<u>-</u>
Fund balances, end of year	<u>\$ 36,798</u>	<u>\$ 36,798</u>	<u>\$ 150,934</u>	<u>\$ 114,136</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, 2020**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 59,672	\$ 59,672	\$ 61,953	\$ 2,281
Investment income	328	328	5,055	4,727
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>67,008</u>	<u>7,008</u>
Other financing sources (uses):				
Transfers out	<u>(90,000)</u>	<u>(270,000)</u>	<u>(219,149)</u>	<u>50,851</u>
Total financing sources (uses)	<u>(90,000)</u>	<u>(270,000)</u>	<u>(219,149)</u>	<u>50,851</u>
Net change in fund balances	(30,000)	(210,000)	(152,141)	57,859
Fund balances, beginning of year	<u>257,140</u>	<u>257,140</u>	<u>257,140</u>	<u>-</u>
Fund balances, end of year	<u>\$ 227,140</u>	<u>\$ 47,140</u>	<u>\$ 104,999</u>	<u>\$ 57,859</u>

CITY OF RANCHO SANTA MARGARITA
TRAFFIC CONGESTION RELIEF FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 53,960	\$ 53,960	\$ 55,042	\$ 1,082
Investment income	1,668	1,668	2,362	694
Total revenues	<u>55,628</u>	<u>55,628</u>	<u>57,404</u>	<u>1,776</u>
Other financing sources (uses):				
Transfers out	<u>(165,000)</u>	<u>(165,000)</u>	<u>(131,000)</u>	<u>34,000</u>
Total financing sources (uses)	<u>(165,000)</u>	<u>(165,000)</u>	<u>(131,000)</u>	<u>34,000</u>
Net change in fund balance	(109,372)	(109,372)	(73,596)	35,776
Fund balances, beginning of year	<u>112,984</u>	<u>112,984</u>	<u>112,984</u>	<u>-</u>
Fund balances, end of year	<u>\$ 220,628</u>	<u>\$ 220,628</u>	<u>\$ 39,388</u>	<u>\$ 35,776</u>

**CITY OF RANCHO SANTA MARGARITA
LOCAL PARK TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 31,748	\$ 31,748
Total revenues	-	-	31,748	31,748
Other financing sources (uses):				
Transfers out	(1,155,000)	(1,155,000)	(81,103)	1,073,897
Total financing sources (uses)	(1,155,000)	(1,155,000)	(81,103)	1,073,897
Net change in fund balances	(1,155,000)	(1,155,000)	(49,355)	1,105,645
Fund balances, beginning of year	1,432,704	1,432,704	1,432,704	-
Fund balances, end of year	\$ 277,704	\$ 277,704	\$ 1,383,349	\$ 1,105,645

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, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 99,453	\$ 99,453	\$ 156,006	\$ 56,553
Investment income	547	547	4,964	4,417
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>160,970</u>	<u>60,970</u>
Expenditures:				
Public safety - current	<u>137,060</u>	<u>137,060</u>	<u>123,061</u>	<u>13,999</u>
Total expenditures	<u>137,060</u>	<u>137,060</u>	<u>123,061</u>	<u>13,999</u>
Net change in fund balances	(37,060)	(37,060)	37,909	74,969
Fund balances, beginning of year	<u>174,630</u>	<u>174,630</u>	<u>174,630</u>	<u>-</u>
Fund balances, end of year	<u>\$ 137,570</u>	<u>\$ 137,570</u>	<u>\$ 212,539</u>	<u>\$ 74,969</u>

CITY OF RANCHO SANTA MARGARITA
PEG FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 15,432	\$ 15,432
Total revenues	-	-	15,432	15,432
Expenditures:				
General government	10,000	10,000	973	9,027
Total expenditures	10,000	10,000	973	9,027
Net change in fund balances	(10,000)	(10,000)	14,459	24,459
Fund balances, beginning of year	694,299	694,299	694,299	-
Fund balances, end of year	\$ 684,299	\$ 684,299	\$ 708,758	\$ 24,459

CITY OF RANCHO SANTA MARGARITA
ROAD MAINTENANCE AND REHABILITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 808,311	\$ 808,311	\$ 847,981	\$ 39,670
Investment income	8,165	8,165	12,017	3,852
Total revenues	<u>816,476</u>	<u>816,476</u>	<u>859,998</u>	<u>43,522</u>
Other financing sources (uses):				
Transfers out	(855,000)	(948,000)	(643,223)	304,777
Total financing sources (uses)	<u>(855,000)</u>	<u>(948,000)</u>	<u>(643,223)</u>	<u>304,777</u>
Net change in fund balances	(38,524)	(131,524)	216,775	348,299
Fund balances, beginning of year	<u>281,332</u>	<u>281,332</u>	<u>281,332</u>	<u>-</u>
Fund balances, end of year	<u>\$ 242,808</u>	<u>\$ 149,808</u>	<u>\$ 498,107</u>	<u>\$ 348,299</u>

CITY OF RANCHO SANTA MARGARITA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 317	\$ 317
Total revenues	-	-	317	317
Expenditures:				
Debt Service:				
Principal retirement	455,000	455,000	455,000	-
Interest	280,138	280,138	280,138	-
Total expenditures	735,138	735,138	735,138	-
Other financing sources (uses):				
Transfers in	735,138	735,138	735,096	(42)
Total financing sources (uses)	735,138	735,138	735,096	(42)
Net change in fund balances	-	-	275	275
Fund balances, beginning of year	541	541	541	-
Fund balances, end of year	\$ 541	\$ 541	\$ 816	\$ 275

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, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 2,721,000	\$ 2,721,000	\$ 74,394	\$ (2,646,606)
Investment income	-	-	3,773	3,773
Total revenues	<u>2,721,000</u>	<u>2,721,000</u>	<u>78,167</u>	<u>(2,642,833)</u>
Expenditures:				
Public works	<u>7,858,000</u>	<u>8,131,000</u>	<u>3,692,284</u>	<u>4,438,716</u>
Total expenditures	<u>7,858,000</u>	<u>8,131,000</u>	<u>3,692,284</u>	<u>4,438,716</u>
Other financing sources (uses):				
Transfers in	<u>5,137,000</u>	<u>5,410,000</u>	<u>3,148,778</u>	<u>(2,261,222)</u>
Total financing sources (uses)	<u>5,137,000</u>	<u>5,410,000</u>	<u>3,148,778</u>	<u>(2,261,222)</u>
Net change in fund balances	-	-	(465,339)	(465,339)
Fund balances, beginning of year	<u>204,156</u>	<u>204,156</u>	<u>204,156</u>	<u>-</u>
Fund balances, end of year	<u>\$ 204,156</u>	<u>\$ 204,156</u>	<u>\$ (261,183)</u>	<u>\$ (465,339)</u>

Statistical Section



City of Rancho Santa Margarita, California

STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

	2020	2019	2018	2017
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 104,695,075	\$ 105,277,597	\$ 106,775,273	\$ 109,252,099
Restricted for:				
Public Safety	212,539	174,629	147,789	113,112
Public Works	3,664,065	3,940,779	3,729,900	3,728,757
Debt Service	-	-	114	1,526,835
Unrestricted	19,335,960	19,262,675	17,171,094	13,960,569
Total Governmental Activities				
Net Position	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>	<u>\$ 128,581,372</u>
 PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 104,695,075	\$ 105,277,597	\$ 106,775,273	\$ 109,252,099
Restricted for				
Public Safety	212,539	174,629	147,789	113,112
Public Works	3,664,065	3,940,779	3,729,900	3,728,757
Unrestricted	19,335,960	19,262,675	17,171,094	13,960,569
Total Primary Government				
Net Position	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>	<u>\$ 128,581,372</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 (2011-2020)

2016	2015**	2014	2013	2012*	2011
\$ 109,157,228	\$ 108,859,951	\$ 108,436,257	\$ 111,018,064	\$ 108,216,333	\$ 111,200,329
99,309	109,554	115,371	117,440	137,441	95,880
3,936,815	3,604,728	3,703,419	3,012,689	2,468,544	3,481,064
1,515,534	1,509,121	2,357,303	2,351,627	848,392	852,271
14,981,977	13,325,625	14,065,311	12,381,485	17,147,323	14,328,948
<u>\$ 129,690,863</u>	<u>\$ 127,408,979</u>	<u>\$ 128,677,661</u>	<u>\$ 128,881,305</u>	<u>\$ 128,818,033</u>	<u>\$ 129,958,492</u>
\$ 109,157,228	\$ 108,859,951	\$ 108,436,257	\$ 111,018,064	\$ 108,216,333	\$ 111,200,329
99,309	109,554	115,371	117,440	137,441	95,880
3,936,815	3,604,728	3,703,419	3,012,689	2,468,544	3,481,064
14,981,977	13,325,625	14,065,311	12,381,485	17,147,323	14,328,948
<u>\$ 129,690,863</u>	<u>\$ 127,408,979</u>	<u>\$ 128,677,661</u>	<u>\$ 128,881,305</u>	<u>\$ 128,818,033</u>	<u>\$ 129,958,492</u>

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

	2020	2019	2018	2017
EXPENSES				
Governmental Activities:				
General Government	\$ 4,143,355	\$ 4,042,811	\$ 4,391,682	\$ 2,700,266
Building & Planning	1,158,233	1,211,945	1,136,247	1,090,593
Public Safety	10,080,372	9,776,922	9,513,766	9,644,961
Public Works	7,175,142	6,159,832	5,978,125	6,162,890
Capital Outlay	-	-	-	925
Principal Retirement	-	-	-	967,536
Interest Expense	273,645	291,511	308,581	325,176
Bond Issuance Costs	-	-	-	-
Total Governmental Activities Expenses	<u>22,830,747</u>	<u>21,483,021</u>	<u>21,328,401</u>	<u>20,892,347</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	246,938	426,030	476,159	424,862
Building and Planning	650,298	673,447	744,275	660,136
Public Safety	216,076	169,305	138,224	142,914
Public Works	79,086	66,913	42,663	83,792
Operating Contributions and Grants	3,996,755	3,128,799	3,262,849	3,114,256
Capital Contributions and Grants	74,394	162,896	12,927	-
Total Governmental Activities Program Revenues	<u>5,263,547</u>	<u>4,627,390</u>	<u>4,677,097</u>	<u>4,425,960</u>
Total Net Revenues (Expenses)	<u>\$ (17,567,200)</u>	<u>\$ (16,855,631)</u>	<u>\$ (16,651,304)</u>	<u>\$ (16,466,387)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 7,683,778	\$ 7,436,398	\$ 7,110,720	\$ 6,746,586
Sales Taxes	6,729,367	7,109,635	6,658,452	6,669,064
Real Property Transfer Taxes	289,637	262,145	355,744	362,285
Motor Vehicle License Fees	38,750	23,678	25,583	-
Motor Vehicle in-lieu tax, unrestricted intergovernmental	-	-	-	-
Prop 1A, unrestricted intergovernmental	-	-	-	-
Franchise fees	1,379,572	1,436,938	1,368,975	1,380,895
Investment Income	516,497	571,340	284,016	147,992
Contribution from other government entity - Settlement Agreement	-	-	-	-
Other	181,558	847,007	126,795	50,074
Total Governmental Activities	<u>16,819,159</u>	<u>17,687,141</u>	<u>15,930,285</u>	<u>15,356,896</u>
Changes in Net Position	<u>\$ (748,041)</u>	<u>\$ 831,510</u>	<u>\$ (721,019)</u>	<u>\$ (1,109,491)</u>

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

Source: City Finance Division, Comprehensive Annual Financial Report (2011-2020)

	2016		2015		2014		2013		2012		2011
\$	3,421,649	\$	3,698,159	\$	3,867,419	\$	3,888,959	\$	3,880,315	\$	3,774,471
	1,169,254		998,296		1,056,954		1,100,413		948,779		1,147,306
	7,572,663		8,105,354		7,756,218		7,574,596		7,564,128		7,527,342
	4,718,605		7,521,705		5,523,014		5,240,653		4,431,877		6,462,078
	-		-		-		484,024		448,843		-
	-		-		-		-		-		-
	341,109		355,077		365,344		329,313		528,210		539,942
	-		-		-		236,018		-		-
	17,223,280		20,678,591		18,568,949		18,853,976		17,802,152		19,451,139
	431,449		405,724		370,213		332,013		391,960		421,986
	786,225		556,526		603,515		805,777		535,533		570,911
	163,463		198,883		173,246		194,812		281,666		253,103
	59,890		50,079		50,058		103,438		225,528		106,590
	2,545,411		3,259,584		3,402,535		3,561,137		2,965,391		3,169,109
	-		-		-		-		-		-
	3,986,438		4,470,796		4,599,567		4,997,177		4,400,078		4,521,699
\$	(13,236,842)	\$	(16,207,795)	\$	(13,969,382)	\$	(13,856,799)	\$	(13,402,074)	\$	(14,929,440)
\$	6,534,986	\$	6,235,194	\$	2,129,782	\$	2,042,934	\$	1,999,106	\$	2,037,141
	6,809,341		6,037,535		6,022,595		5,827,740		5,348,047		5,167,358
	333,339		300,415		284,486		271,322		230,916		235,626
	-		-		-		-		-		-
	-		- *		3,773,829		3,734,052		3,807,220		3,790,596
	-		-		-		-		-		-
	1,499,296		1,516,529		1,450,159		1,419,802		1,414,887		1,445,587
	103,995		66,916		59,131		51,058		120,130		99,019
	-		-		-		-		-		-
	237,769		1,785,010		45,216		573,704		1,241,844		541,090
	15,518,726		15,941,599		13,765,198		13,920,612		14,162,150		13,316,417
\$	2,281,884	\$	(266,196)	\$	(204,184)	\$	63,813	\$	760,076	\$	(1,613,023)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GENERAL FUND				
Nonspendable	\$ 11,807	\$ 6,582	\$ 250	\$ 2,665
Restricted	-	-	-	-
Committed	50,004	240,059	434,499	788,647
Assigned	8,512,921	8,761,323	7,769,118	7,524,985
Unassigned	12,790,146	11,614,014	10,510,122	9,237,888
Total General Fund	<u>\$ 21,364,878</u>	<u>\$ 20,621,978</u>	<u>\$ 18,713,989</u>	<u>\$ 17,554,185</u>
ALL OTHER GOVERNMENTAL FUNDS				
Committed for encumbrances	\$ -	\$ -	\$ -	\$ -
Restricted for debt service	816	541	114	1,526,835
Restricted for public safety/public works	3,876,604	4,115,408	3,877,689	3,841,869
Assigned, Reported in:				
Capital Project Funds	-	204,157	192,816	3,621
Unassigned, Reported in:				
Capital Project Funds	(261,183)	-	-	-
CARES Fund	(358,369)	-	-	-
Total All Other Governmental Funds	<u>\$ 3,257,868</u>	<u>\$ 4,320,106</u>	<u>\$ 4,070,619</u>	<u>\$ 5,372,325</u>

Source: City Finance Division, HdL, Coren & Cone, Comprehensive Annual Financial Report (2011-2020)

2016	2015	2014	2013	2012	2011
\$ 2,821	\$ 2,251	\$ 6,524	\$ 11,026	\$ 183,016	\$ -
-	-	-	-	58,982	-
1,460,181	553,484	1,694,971	61,353	172,428	55,892
9,300,558	9,611,627	8,170,086	8,681,811	7,877,157	7,421,985
8,859,349	7,999,887	7,044,803	7,388,653	7,618,809	7,327,526
<u>\$ 19,622,909</u>	<u>\$ 18,167,249</u>	<u>\$ 16,916,384</u>	<u>\$ 16,142,843</u>	<u>\$ 15,910,392</u>	<u>\$ 14,805,403</u>
\$ -	\$ -	\$ 520,086	\$ 318,917	\$ 188,906	\$ 28,839
1,515,534	1,509,121	2,357,303	2,351,627	848,392	852,271
4,036,124	3,714,282	3,818,790	3,130,129	2,547,003	2,465,098
204,377	102,905	80,923	112,043	894,372	-
-	-	-	-	-	1,083,007
-	-	-	-	-	-
<u>\$ 5,756,035</u>	<u>\$ 5,326,308</u>	<u>\$ 6,777,102</u>	<u>\$ 5,912,716</u>	<u>\$ 4,478,673</u>	<u>\$ 4,429,215</u>

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

	2020	2019	2018	2017
REVENUES				
Taxes	\$ 14,702,782	\$ 14,808,178	\$ 14,124,916	\$ 13,756,201
Fees & Permits	1,768,147	1,832,117	2,156,495	2,557,778
Intergovernmental	3,746,966	3,401,017	3,297,047	2,255,652
Charges for Services	484,508	673,648	691,596	747,230
Investment Income	516,496	571,339	284,016	147,992
Fines, forfeits and penalties	216,076	169,305	138,224	142,914
Other	181,558	847,007	126,795	50,074
Total Revenues	<u>21,616,533</u>	<u>22,302,611</u>	<u>20,819,089</u>	<u>19,657,841</u>
EXPENDITURES				
Current:				
General Government	3,799,036	3,807,473	3,965,491	3,725,068
Building and Planning	1,142,984	1,203,090	1,132,872	1,078,723
Public Safety	10,080,372	9,776,922	9,513,766	9,644,961
Public Works	6,178,342	4,545,469	4,765,369	5,825,294
Capital Outlay	-	-	-	132,355
Debt Service:				
Principal Retirement	455,000	514,343	1,268,655	1,372,536
Interest	280,138	297,838	314,838	331,338
Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>21,935,872</u>	<u>20,145,135</u>	<u>20,960,991</u>	<u>22,110,275</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(319,339)</u>	<u>2,157,476</u>	<u>(141,902)</u>	<u>(2,452,434)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,618,477	3,467,646	4,785,289	4,509,192
Transfers Out	(4,618,477)	(3,467,646)	(4,785,289)	(4,509,192)
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>(319,339)</u>	<u>2,157,476</u>	<u>(141,902)</u>	<u>(2,452,434)</u>
Fund Balances, beginning of year	<u>24,942,085</u>	<u>22,784,608</u>	<u>22,926,510</u>	<u>25,378,944</u>
Fund Balances, end of year	<u>\$ 24,622,746</u>	<u>\$ 24,942,084</u>	<u>\$ 22,784,608</u>	<u>\$ 22,926,510</u>
DEBT SERVICE AS A PERCENTAGE OF				
NON CAPITAL EXPENDITURES	3.65%	4.29%	8.50%	9.20%

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

Source: City Finance Division, Comprehensive Annual Financial Report (2011-2020)

2016	2015	2014	2013	2012	2011
\$ 13,657,845	\$ 8,537,734	\$ 8,436,863	\$ 8,141,996	\$ 7,578,069	\$ 7,440,125
2,196,437	2,043,835	2,556,767	2,396,719	2,072,595	1,793,566
2,421,752	6,979,269	6,965,839	6,215,077	6,614,126	6,959,705
747,093	652,998	666,155	805,971	657,598	755,808
103,995	66,916	59,131	51,058	120,130	99,019
163,463	198,883	173,246	194,812	277,866	248,803
237,769	1,785,010	45,216	1,243,584	571,964	541,090
19,528,354	20,264,645	18,903,217	19,049,217	17,892,348	17,838,116
3,522,990	3,693,121	3,820,255	3,857,850	3,856,873	3,739,202
1,150,918	993,466	1,048,181	1,096,348	954,291	1,142,245
7,565,851	8,104,085	7,755,684	7,573,874	7,560,345	7,488,564
4,508,164	5,060,120	3,627,789	3,435,804	2,642,796	4,193,615
162,907	1,883,395	213,143	725,596	887,336	633,846
385,000	370,000	430,000	315,000	305,000	295,000
347,137	360,387	370,238	399,910	531,260	542,523
-	-	-	236,018	-	-
17,642,967	20,464,574	17,265,290	17,640,400	16,737,901	18,034,995
1,885,387	(199,929)	1,637,927	1,408,817	1,154,447	(196,879)
3,306,078	4,946,538	2,852,635	3,981,812	2,630,493	3,495,811
(3,306,078)	(4,946,538)	(2,852,635)	(3,981,812)	(2,630,493)	(3,495,811)
-	-	-	11,230,000	-	-
-	-	-	571,905	-	-
-	-	-	(11,544,227)	-	-
-	-	-	257,678	-	-
1,885,387	(199,929)	1,637,927	1,666,494	1,154,447	(196,879)
23,493,557	23,693,486	22,055,559	20,389,065	19,234,618	19,431,497
\$ 25,378,944	\$ 23,493,557	\$ 23,693,486	\$ 22,055,559	\$ 20,389,065	\$ 19,234,618
4.91%	4.40%	4.97%	6.05%	5.74%	5.26%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Apparel Stores	*	\$ 9,295	\$ 9,350	\$ 9,595
General Merchandise	*	52,333	55,339	55,117
Food Stores	*	33,081	32,839	32,097
Eating & Drinking Places:	*	89,751	86,079	84,823
Building Materials	*	52,342	51,226	52,316
Auto Dealers & Supplies	*	168,061	171,878	166,054
Service Stations	*	56,545	51,422	46,999
Other Retail Stores	*	57,606	64,876	66,314
All Other Outlets	*	179,757	172,997	156,072
Total	<u>*</u>	<u>\$ 698,771</u>	<u>\$ 696,006</u>	<u>\$ 669,387</u>
City Direct Sales Tax Rate	7.75%	7.75%	7.75%	7.75%

*Data for fiscal year 2019-2020 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

2016	2015	2014	2013	2012	2011
\$ 9,789	\$ 9,995	\$ 9,956	\$ 10,214	\$ 9,956	\$ 9,443
56,107	56,123	56,412	58,021	58,241	59,245
30,292	29,617	28,610	27,339	24,858	22,944
80,401	76,447	72,917	70,242	65,841	58,618
48,525	45,725	44,599	41,166	38,587	37,859
147,444	140,507	131,433	130,666	123,005	101,977
44,390	50,918	59,997	61,242	66,902	65,101
70,962	74,800	69,736	69,733	70,487	65,713
173,677	151,242	140,433	130,267	121,080	112,635
<u>\$ 661,587</u>	<u>\$ 635,374</u>	<u>\$ 614,093</u>	<u>\$ 598,890</u>	<u>\$ 578,957</u>	<u>\$ 533,535</u>
8.0%	8.0%	8.0%	8.0%	7.5%	7.5%

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
2020	\$ 6,729,367	\$ 7,683,778	\$ 289,637	14,702,782
2019	7,109,635	7,436,398	262,145	14,808,178
2018	6,658,452	7,110,720	355,744	14,124,916
2017	6,669,064	6,745,586	362,285	13,776,935
2016	6,809,341	6,534,986	333,339	13,677,666
2015	6,037,535	2,199,784	300,415	8,537,734
2014	6,022,595	2,129,782	284,486	8,436,863
2013	5,827,740	2,042,934	271,322	8,141,996
2012	5,348,047	1,999,106	230,916	7,578,069
2011	5,167,358	2,037,141	235,626	7,440,125

Source: City Finance Division, Comprehensive Annual Financial Report (2011-2020)

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
2020	\$ 7,496,881,190	\$ 664,309,064	\$ 537,636,023	\$ 247,478,110		8,946,304,387	2.98%
2019	7,231,121,739	643,362,665	516,049,864	251,089,203	-	8,641,623,471	2.98%
2018	6,917,831,325	623,012,917	485,286,641	221,676,640	-	8,247,807,523	2.98%
2017	6,644,658,255	543,292,229	461,597,130	222,514,928	-	7,872,062,542	2.98%
2016	6,399,038,568	500,361,671	451,284,423	221,370,319	-	7,572,054,981	2.98%
2015	6,078,637,661	493,114,301	438,561,989	219,863,058	-	7,230,177,009	2.98%
2014	5,633,393,974	487,305,663	429,694,341	214,774,326	-	6,765,168,304	2.98%
2013	5,537,751,127	485,112,928	412,328,785	244,030,547	-	6,679,223,387	2.98%
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%

(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	2019/20	2018/19	2017/18	2016/17
Basic Levy^{1,5}	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00745	0.00786	0.00800	0.00843
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	0.02295	0.02392	0.02365	0.02688
Santa Margarita Water District	0.61040	0.62470	0.85900	0.88660
Total Direct & Overlapping² Tax Rates	1.64780	1.66348	1.89765	1.92891
 City's Share of 1% Levy Per Prop 13³	 0.02978	 0.02978	 0.02978	 0.02978
Total Direct Rate^{4,6}	0.02976	0.02976	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 A of the California Constitution specifies that the counties within the State of California may levy a basic tax rate, distributing the proceeds to the proper agencies.

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

Source: Orange County Assessor 2010/11 - 2019/20 Tax Rate Table

2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00845	0.00900	0.00972	0.01171	0.01101	0.01105
0.00350	0.00350	0.00350	0.00350	0.00370	0.00370
0.00350	0.00350	0.00350	0.00350	0.00370	0.19120
0.03008	0.02806	0.03207	0.03265	0.03163	0.03194
1.18070	2.05440	2.35710	4.67620	4.21220	4.22640
2.22623	3.09846	3.40589	5.72756	5.26224	5.46429
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	2019/2020			2010/2011		
	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank
Applied Medical Reso. Corp	\$ 237,133,469	2.65%	1	\$ 88,980,882	1.35%	1
El Prado LLC	80,751,808	0.90%	2	69,854,505	1.06%	2
BEX Portfolio Inc*	70,985,697	0.79%	3	45,052,731	0.68%	3
Plaza El Paseo Center, LLC	58,644,224	0.66%	4			
Villa La Paz Partners LP	42,750,269	0.48%	5	36,675,076	0.56%	4
RSM Antonio Associates	38,520,366	0.43%	6			
EQR - Skyview LP	37,607,747	0.42%	7			
CPI-GREP AA-Buena Vida Owner LLP	35,461,839	0.40%	8			
Cox Communications	34,036,962	0.38%	9	32,236,167	0.49%	6
Cox Com Inc (Orange)				27,380,479	0.41%	7
FG Rancho Santa Margarita LP	30,599,454	0.34%	10	26,312,128	0.40%	8
KRC Santa Margarita				24,893,950	0.38%	9
Antonio Acquisition Company				34,272,915	0.52%	5
Crescent LP				24,177,613	0.37%	10
Totals	<u>\$ 666,491,835</u>	<u>7.45%</u>		<u>\$ 409,836,446</u>	<u>6.21%</u>	

* Previously known as BRE Properties

**Previously known as KSL Santa Margarita Properties II LP

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

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2020	\$ 2,589,778	\$ 2,544,699	98.26%	\$ 16,230	\$ 2,567,950	99.16%
2019	2,500,759	2,455,671	98.20%	14,077	2,483,570	99.31%
2018	2,379,744	2,339,536	98.31%	13,463	2,365,385	99.40%
2017	2,252,964	2,217,196	98.41%	15,584	2,238,684	99.37%
2016	2,180,731	2,136,300	97.96%	15,343	2,166,130	99.33%
2015	2,071,571	2,006,282	96.85%	15,250	2,057,169	99.30%
2014	1,943,941	1,894,716	97.47%	21,493	1,929,274	99.25%
2013	1,915,687	1,859,246	97.05%	31,560	1,897,089	99.03%
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%

Source: O.C. Auditor-controller, City Finance Division, Comprehensive Annual Financial Report (2010-2020)

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⁾
2020	\$ -	\$ 8,702,654	-	8,702,654	0.35%	178.36
2019	-	9,184,886	-	9,184,886	0.40%	187.60
2018	-	9,642,120	-	9,642,120	0.44%	198.39
2017	-	10,089,353	-	10,089,353	0.46%	207.59
2016	-	10,521,587	-	10,521,587	0.50%	216.87
2015	-	10,934,000	-	10,934,000	0.54%	223.95
2014	-	11,331,000	-	11,331,000	0.57%	232.03
2013	-	11,788,000	-	11,788,000	0.59%	242.80
2012	-	-	11,360,000	11,360,000	0.59%	236.28
2011	-	-	11,665,000	11,665,000	0.58%	241.62

⁽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
2020	48,793	-	-	-	0.00%	-
2019	48,960	-	-	-	0.00%	-
2018	48,602	-	-	-	0.00%	-
2017	48,602	-	-	-	0.00%	-
2016	48,516	-	-	-	0.00%	-
2015	48,823	-	-	-	0.00%	-
2014	48,834	-	-	-	0.00%	-
2013	48,550	-	-	-	0.00%	-
2012	48,079	-	-	-	0.00%	-
2011	48,278	-	-	-	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, 2020

	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		\$ 8,335,000	100%	\$ 8,335,000
A65.01 City Hall and Community Center		\$ 367,654	100%	\$ 367,654
Total Direct Debt				8,702,654
Overlapping Debt				
628.01 Capistrano Unified SFID#1 1999 Bond#2002C		13,565,000	1.326%	179,851
629.01 Capistrano Unified SFID#1 1999 Bond#2001B		5,360,885	1.326%	71,077
6AB.01 Saddleback Valley USD 2004 Bond#2004A		22,100,000	13.592%	3,003,915
6AW.01 Saddleback Valley USD 2004 Series B		28,995,000	13.592%	3,941,109
6CZ.01 Saddleback Valley USD 20113 REF		47,510,000	13.592%	6,457,737
6DK.01 Saddleback Valley USD GOB EL 2014, Series 2016A		8,940,000	13.592%	1,215,158
*C55.14 Metropolitan Water District		7,541,389	1.619%	122,124
C76.56 Santa Margarita Water ID#4-Bond 1978 Bond	Land	19,940,000	36.192%	7,216,766
C76.58 Santa Margarita Water ID#3-Bond 1978 Bond	Land	3,025,000	99.876%	3,021,244
C76.61 Santa Margarita Water ID#4B-Bond 1984 Bond	Land	6,990,000	0.484%	33,818
Total Overlapping Debt				25,262,799
Total Direct and Overlapping Debt				\$ 33,965,453

2019/20 Assessed Valuation: \$8,946,304,387** after deducting \$0 Incremental Value.

Debt To assessed Valuation Ratios:	Direct Debt	0.10%
	Overlapping Debt	0.28%
	Total Debt	0.38%

*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 \$0.

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

Source: HdL Companies

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assessed Valuation	\$ 9,234,200,835	\$ 8,641,623,471	\$ 8,247,807,523	\$ 7,872,062,542
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,308,550,209	\$ 2,160,405,868	\$ 2,061,951,881	\$ 1,968,015,636
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 346,282,531	\$ 324,060,880	\$ 309,292,782	\$ 295,202,345
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 346,282,531</u>	<u>\$ 324,060,880</u>	<u>\$ 309,292,782</u>	<u>\$ 295,202,345</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

2016	2015	2014	2013	2012	2011
\$ 7,572,054,981	\$ 7,230,177,009	\$ 6,765,168,304	\$ 6,679,223,387	\$ 6,624,820,302	\$ 6,602,601,257
25%	25%	25%	25%	25%	25%
\$ 1,893,013,745	\$ 1,807,544,252	\$ 1,691,292,076	\$ 1,669,805,847	\$ 1,656,205,076	\$ 1,650,650,314
15%	15%	15%	15%	15%	15%
\$ 283,952,062	\$ 271,131,638	\$ 253,693,811	\$ 250,470,877	\$ 248,430,761	\$ 247,597,547
-	-	-	-	-	-
<u>\$ 283,952,062</u>	<u>\$ 271,131,638</u>	<u>\$ 253,693,811</u>	<u>\$ 250,470,877</u>	<u>\$ 248,430,761</u>	<u>\$ 247,597,547</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Population	Personal Income ⁽¹⁾ (in thousands)	Per Capita Personal Income	Median Income per Household	Median Age	School Enrollment	Unemployment Rate
2020	48,793	2,499,062	51,247	104,092	37.6	6,644	2.50%
2019	48,960	2,317,882	47,342	106,939	37	5,814	2.70%
2018	48,602	2,200,245	45,270	104,556	36.8	5,450	1.90%
2017	48,602	2,182,109	44,897	105,328	36.7	6,019	2.30%
2016	48,516	2,085,270	42,981	104,952	35.8	5,814	2.60%
2015	48,823	2,025,227	41,481	102,821	35.2	6,721	3.20%
2014	48,834	1,978,412	40,513	102,975	34.7	6,572	3.20%
2013	48,550	1,996,133	41,115	96,266	34.6	6,354	3.60%
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%

(1) Estimated for 2020

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	2020		2011	
	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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
City Manager Full-Time	3.50	3.00	3.00	3.00	3.00	2.50	1.50	2.00	2.00	2.00
City Clerk Full-Time	2.00	2.50	2.50	2.80	2.80	2.80	3.40	2.80	2.80	2.80
Human Resources Full-Time	1.00	1.20	1.20	1.00	2.00	2.00	2.00	1.25	-	-
Finance Full-Time	3.80	3.80	3.80	3.80	3.80	3.80	3.58	4.80	-	-
Police Services Full-Time	-	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00
Bldg./Planning Full-time	6.00	5.60	5.60	5.60	5.60	5.60	3.85	3.00	3.00	3.75
Engr./Pub. Works Full-Time	4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.00	3.00	3.00
Comm. Services Full-Time	2.51	6.40	6.40	6.40	6.40	6.40	6.37	6.25	-	-
Admin. Services Full-Time	-	-	-	-	-	-	-	-	11.32	11.07
Total	23.31	27.00	27.00	27.10	29.10	28.60	25.20	24.10	23.12	23.62

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 2019-2020

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

FUNCTION	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government										
Civic Center Building	1	1	1	1	1	1	1	1	1	1
Police Services										
Support Vehicles	1	1	1	1	1	1	1	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (Miles)	99	99	99	99	99	99	99	99	99	99
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	2020	2019	2018	2017
General Government				
Financial Reports & Audits Completed	132	121	220	109
Checks/Wire Transfers	2,396	2,576	2,535	1,654
Police Services				
Physical Arrests	202	292	326	327
Parking Citations	1,261	1,601	1,689	1,722
Traffic Citations	1,590	1,951	188	143
Public Works				
Street Paving (miles)	11.63	11.05	26.53	8.44
Sidewalks replaced (sq. ft.)	5,050	7,513	270	7,225
Curb refurbished (linear feet)	33	42	21	300
Traffic signs replaced/installed	216	459	571	353
Pavement Condition Index (70 = min. acceptable)	85.4	83.2	82.5	78.6
Building and Planning				
Building Permits Issued	1,396	1,499	1,572	1,538
Building Inspections Completed	3,361	3,641	3,432	3,048
Plan Checks Performed	817	193	285	337
Community Services*				
Recreational & Instructional Classes Offered	500	825	825	825
Senior Mobility Rides	417	782	335	300
Community Events Attendance	20,000	20,000	21,000	20,000
Community Magazine Publications	2	3	3	3

* Due to the COVID-19 pandemic the community center was closed as of March 2020.
The statistics listed are from July 1, 2019 through March 2020.

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

2016	2015	2014	2013	2012	2011
111	106	117	62	49	15
1,482	1,670	1,768	1,713	1,759	1,645
282	329	377	766	1,035	1,317
1,502	1,365	1,042	1,516	1,120	1,613
136	402	1,469	1,026	1,497	3,184
8.07	9.45	23	92	8	13
6,358	10,832	4,809	-	1,025	3,973
24,953	14,953	280	13,351	15,500	19
322	337	262	291	600	56
81.6	81.5	81.5	78.5	79.2	77.9
1,671	1,279	1,051	1,145	1,026	782
3,422	2,515	2,278	2,140	2,387	2,127
413	328	279	263	194	223
825	825	775	773	725	712
990	989	939	1,171	665	609
19,000	18,000	18,000	18,000	17,500	15,000
3	3	3	3	3	3

City of Rancho Santa Margarita
Miscellaneous Statistics
June 30, 2020

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:	48,793
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