

City of
Rancho Santa Margarita, California



Annual Comprehensive
Financial Report

For the Fiscal Year Ended
June 30, 2025

Annual Comprehensive Financial Report

*For the Fiscal Year Ended
June 30, 2025*

Finance Division

City of Rancho Santa Margarita, California

City Council



L. Anthony Beall
Mayor



Bradley J. McGirr
Mayor Pro Tempore



Keri Lynn Baert
Council Member
District 3



Anne D. Figueroa
Council Member



Jerry Holloway
Council Member

City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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Introductory Section

Rancho Santa Margarita, California



CITY OF RANCHO SANTA MARGARITA

22112 El Paseo • Rancho Santa Margarita • California 92688-2824
949.635.1800 • fax 949.635.1840 • www.cityofrsm.org

December 5, 2025

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

It is with great pleasure that we present to you the City of Rancho Santa Margarita's Annual Comprehensive Financial Report (ACFR) for fiscal year 2024-25. The report has been prepared by the Finance Department in conformity with Generally Accepted Accounting Principles (GAAP) and has been audited in accordance with Generally Accepted Auditing Standards (GAAS) by Davis Farr LLP, certified public accountants.

The report consists of management representations concerning the finances of the City. Therefore, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

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

The annual independent audit of the City's financial statements was conducted following the 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 whether the City has complied with applicable laws and regulations. In addition, procedures were performed to determine the adequacy of the internal control structure; however, because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. The auditors have issued an unmodified ("clean") opinion on these financial statements.

Mayor L. Anthony Beall	Mayor Pro Tempore Bradley J. McGirr	Council Member Keri Lynn Baert	Council Member Anne D. Figueroa	Council Member Jerry Holloway	City Manager Jennifer M. Cervantez
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The auditor's report is presented as the first component of the financial section of this report.

This ACFR includes financial activity for all funds of the City. In addition to the fund-by-fund financial information presented in the City's financial statements, government-wide financial statements are also included. The government-wide financial statements include a Statement of Net Position that provides the total net equity of the City, including infrastructure, and the Statement of Activities that shows the cost of providing government services. These statements were prepared using the accrual basis of accounting whereas the fund financial statements were prepared using the modified accrual method. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the Statement 34 standard includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These statements, combined with other information, are further analyzed in a narrative section entitled Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and explaining changes, fluctuations, and variances in the financial data. Furthermore, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City. This letter of transmittal is designed to complement the MD&A.

In prior fiscal years and most recently in 2025, the City performed a condition assessment of the pavement subsystem, which is required every two years for Measure M2 transportation funding eligibility, and every three years for financial reporting purposes. The assessment affirmed that these infrastructure assets are above the minimum condition level established by the government. There were two new Governmental Accounting Standards Board (GASB) standards, No. 101, Compensated Absences and No. 102, Certain Risk Disclosures required for the current fiscal year. The ACFR for fiscal year ended June 30, 2025, includes all the required GASB standards applicable to the City. The City of Rancho Santa Margarita is proud to be on the leading edge of local governmental financial reporting.

PROFILE OF THE CITY

The City of Rancho Santa Margarita was incorporated on January 1, 2000, as a general law city under the laws of the State of California. The City is distinguished by its high-end residential neighborhoods and small-town charm. The City of Rancho Santa Margarita encompasses approximately 13 square miles in south Orange County and has a population of 46,341 per data provided by the California Department of Finance (DOF). Approximately 58 miles southeast of Los Angeles and 76 miles north of San Diego, the City is adjacent to the cities of Mission Viejo, Lake Forest, Aliso Viejo, and Laguna Hills.

The City provides a wide range of services including planning, building, public works, engineering, police and fire protection, recreation and general administrative activities. These services are delivered through a combination of City staff and contractual agreements. The Rancho Santa Margarita Landscape and Recreation Corporation (SAMLARC) is the Master Homeowners Association in Rancho Santa Margarita. SAMLARC's amenities include Lago Santa Margarita; the lively Beach Club and Lagoon; four Jr. Olympic-sized pools; 13 parks with playgrounds, picnic areas, and sports facilities; and an urban trail system. The Orange County Library System provides public library services.

The City operates under the Council-Manager form of government. On October 11, 2023, the City adopted ordinance No. 23-02 which implemented a district-based municipal election system. With this election system, Council Members from four Council districts are based on established boundary lines, with the Mayor elected at-large. The City Council is comprised of five members elected by-district for staggered four-year terms of office. The mayor pro-tempore is selected by the Council from among its members to serve a one-year term. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing such actions as required to provide for the general welfare of the community.

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

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

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

Public safety remains a top priority for the Rancho Santa Margarita City Council. According to the latest data from the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) program and the National Incident-Based Reporting System (NIBRS), the City of Rancho Santa Margarita has consistently ranked among the safest cities in California since its incorporation in 2000. The recently released 2025 NIBRS report reaffirmed this standing, naming Rancho Santa Margarita as the #1 safest city in Orange County among jurisdictions with populations over 35,000. Nationally recognized city-ranking organizations, SafeWise and Moving Waldo, also ranked Rancho Santa Margarita as the safest city in the State of California for the second year in a row, citing the lowest per capita rates of both violent and property crimes. Furthermore, FBI UCR data ranked Rancho Santa Margarita as the #15 safest city in the United States. The 2025 crime statistics from the California Department of Justice continue to reflect exceptionally low violent crime rates, well below both state and national averages. These outcomes reflect the strength of Rancho Santa Margarita Police Services' proactive deployment strategies and reinforce a commitment to a modern, responsive, and community-focused public safety model. With current

crime data and ongoing trends in mind, Rancho Santa Margarita Police remain responsive and resilient amid California's evolving justice system.

This year marks a significant milestone as the City proudly celebrated its 25th anniversary of incorporation. To commemorate this occasion, the City hosted a 25 Years of Cityhood Celebration. The family-friendly event was free to the community and featured extended splash pad hours, children's activities, games, food vendors, and live musical performances. Attendees also enjoyed booths hosted by community partners, local instructors, and Dreamers Market merchants, along with special anniversary treats and entertainment for all ages. The City continued the festivities throughout the summer with an enhanced Summer Concert Series, showcasing a variety of musical genres and local talent, culminating in an extended closing concert featuring performances by the local School of Rock. The City's Community Services Department continues to be dedicated to fostering meaningful connections with the residents of Rancho Santa Margarita. At the heart of these efforts is the Bell Tower Regional Community Center, a hub for a wide range of intergenerational recreational programs that encourage community engagement. Local events play a vital role in uniting residents, businesses, and local government. Long-standing favorites such as the New Year's Eve Celebration offer opportunities for community partners and businesses to participate and connect with residents in a festive atmosphere. A key focus of the department is honoring those who serve our country. This commitment is evident in annual observances such as the Patriot Day Commemoration, Flag Day, and Veterans Day. The City also takes great pride in supporting our adopted 2nd Battalion, 5th Marines, reflecting our deep appreciation for their service and sacrifice. Partnerships with local businesses and institutions continue to be a cornerstone of the department's mission. Through these collaborations, the Community Services Department remains committed to enhancing the quality of life for all who call Rancho Santa Margarita home.

The annual budgets for both Fiscal Year 2024 and 2025 were adopted by the City Council at a public hearing, following the budget development study sessions. The annual budget serves as the foundation for the City's financial planning and control. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The budget is arranged by fund, division, and department and presented to the Council by the City Manager. The objective of budgetary controls is to reasonably ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control is established at the fund level. Transfers of appropriations within fund budgets can be made with the approval of the City Manager. The City Council's approval is required for all budget amendments that result in a change to fund balances. An Interim update of budgetary performance and variance analysis are completed at midyear in January by the City Manager and the Finance Director to ensure compliance with City Council direction. The mid-year budget update is intended to provide additional support to staff to monitor and adjust budgeted revenues and expenditures based on comparisons to current and historical activity, and to aid City Council discussions and decisions regarding the City's budget.

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

ECONOMIC CONDITION AND OUTLOOK

Information presented in the City's financial statements is best understood within the context of our broader economic conditions. For the fiscal year ended June 30, 2025, the City continued on a conservative yet positive economic course as the City navigated its way through inflationary impacts on expenditures. The City Council's adopted budget for FY 2024-25 funded all services by utilizing operating revenues. Sales tax, motor vehicle in-lieu, and property taxes made up approximately 75% of the City's general fund revenues and reflect the importance of the City's local community and its businesses.

Although the economic forecasts over the coming years are fairly positive, there are still areas of uncertainty, particularly with respect to impacts of tariffs on the economy. Based on these assumptions, consumer spending has been more cautious in nature over the last fiscal year. The overall sales tax revenue collected was below the budget estimate, mostly due to lower sales tax revenue from Autos and Transportation, General Consumer Goods as well as Fuel and Service Stations. On the other hand, the City experienced significant growth in business and industry. The City's share of the countywide pool was also up, even as sales tax shifted from the countywide pools to those local agencies with online fulfillment centers. Although sales tax revenue for fiscal year 2024/25 reflected a decline compared to the prior year, for the City of Rancho Santa Margarita, the make-up of the businesses and the response from our residents to shop and dine local has allowed sales tax revenues to continue to thrive and still remain an important revenue source.

Economists projected that the economy nationally would experience below trend growth towards the latter part of 2024; however, in 2025 and 2026 growth in domestic output is anticipated to be strong as inflation moderates compared to prior years and interest rates continue to decrease. Economic indicators at the local level generally follow national and state trends. The growth is attributed to increases in residential home investments as mortgage rates are projected to fall based on the expectation that the Federal Reserve will continue to reduce interest rates. Per Chapman University, the forecast predicts a slight decline in the median Orange County home price, and steady growth without a recession.

Yet even with lower home prices and nominal decreases in mortgage rates, housing affordability in Orange County continues to be a concern as monthly mortgage payments remain high, making it harder for some buyers to afford the homes they want. As of December 2024, the median home prices in Orange County were approximately \$1.27 million, up 4.95 percent year-over-year. Even though factors indicate a seller's market, it is also important to consider shifts in market dynamics. As although, there are still concerns in relation to interest rates, economic conditions, and housing supply, the forecast for the Orange County housing market will likely remain strong, driven by population growth and the desirability of living in Orange County. However, when it comes to forecasting home prices and the number of homes sold, it really depends on the county and the city. As of December 2024, the median home price in Rancho Santa Margarita was \$1.29 million, which was a .66% increase from the prior quarter. Home sales for all of California were relatively flat due to a combination of high home prices and the high costs of borrowing which continues to have a negative impact on housing inventory and demand. Economic impacts to property tax tend to lag as the property tax roll is assessed and billed in arrears. The annual CPI adjustment was set at the maximum 2% in FY 2024/25 and will be the same for FY 2025/26 as well.

LOCAL ECONOMY

Although California's unemployment rate was estimated at 5.5% in August 2025, Orange County's rate has been consistently lower and was estimated at 4.6% according to the latest available data by the California Employment Development Department. Rancho Santa Margarita is comprised of a wide range of residential sites alongside nine commercial shopping centers and a 270-acre business park, providing a solid tax base for the City. Most of the retail and commercial uses are oriented toward serving residents, while the business park provides a valuable employment center. The City is home to several corporate headquarters and has a strong medical device manufacturing presence. The dynamic mix of local businesses has remained strong with an overall low retail vacancy rate. The City is built out, however, based on the latest General Plan and Housing Element updates, new opportunities for residential and mixed-use development have been identified.

The City's major revenue sources are property and sales tax, which made up approximately 75% of the City's general revenues. The City also receives significant revenue through property tax in-lieu of motor vehicle fees, which are apportioned similarly to property taxes. General fund revenues for FY 2024/25 totaled \$24.3 million, compared to \$25.8 million in the prior year. The decrease stems from the use of the remaining American Rescue Plan Act grant funds in the prior fiscal year toward typical governmental services offset by growth in property tax and higher investment income as a result of interest rate adjustments by the Federal government in an attempt to address inflation over the last few years.

The City adopted a balanced budget for FY 2024/25 using both operational revenues as well as federal and state grant funds. General Fund revenues were estimated to total \$23.7 million, which no longer included the use of American Rescue Plan Act grant funds. Expenditures totaled \$26.5 million which included the use of reserves toward planned projects as well as provided funding to maintain service level along with excellent service and quality programs to the community. The City had an overall reduction in its General Fund balance which is the net result of an operational surplus offset by the use of reserve funds toward planned capital improvement projects. The operational surplus is due to a conservative and fiscally responsible budget, as well as a significant increase in investment income that was not anticipated during the preparation of the FY 2024/25 budget.

LONG TERM FINANCIAL PLANNING

As of June 30, 2025, the City has a General Fund balance of \$33 million. The balance includes \$14.7 for Council Strategic, \$2.2 million for Information Technology, \$0.790 million for the planned pay down of the City's CalPERS Unfunded Accrued Liability, as well as \$2.2 million assigned to Facilities, Vehicles, and Infrastructure. Infrastructure is linked to the City's property insurance self-insured retention (SIR), which was based on five City-owned structures. The unassigned fund balance is \$13.2 million and has been established for emergencies.

Since City incorporation, the City Council has taken a fiscally responsible approach in developing and approving the City Budget. It has been a main goal to provide excellent service, programs, and activities for its residents, with maintaining a healthy fund balance for an unforeseen

emergency. In coordination with staff, consultants, and other government agencies, the FY 2024/25 budget was prepared with a positive operating surplus using the best estimates and knowledge of the current financial climate. The FY 2024/25 budget provides funding to maintain service levels, as well as providing excellent service and quality programs to the community. The City Council has governed the City with conservative and thoughtful consideration of not just the finances of the City, but also the overall quality of life for its residents and businesses and all those who call the City of Rancho Santa Margarita home.

RELEVANT FINANCIAL POLICIES AND PLANS

Reserve Policy

A continuing priority of the City Council has been to exercise prudent financial management, provide long-term financial planning, and strong internal control of City asset uses, by adopting a policy regarding the City's accumulated net resources called fund balance. In FY 2022/23, the City Council updated and approved revisions to the City's Reserves Policy. Some of the Reserve Policy revisions include the addition of a CalPERS Unfunded Accrued Liability (UAL) category, emergency reserves have been set at 40% of the total annual General fund balance, changes to certain reserve category descriptions, as well as other updates to provide better direction and understanding of the policy. City Council also approved the reallocation of the City's FY 2021/22 fund balance based on the approved changes to the reserve categories, as well as an updated 10-Year Target Balance. Classifications essentially reflect a government's self-imposed limitations on the use of otherwise available current financial resources. The classification categories are Council Strategic, CalPERS UAL, Technology, Facilities, Vehicles, Infrastructure and Emergency.

CalPERS Pay-down Plan

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

Cost Allocation Plan and User Fees and Charges Study

It is the City's goal to have a well-documented user fee structure that is based on a legally defensible methodology for calculating and establishing the City's development processing fees and other City rates, charges, and user fees, which will incorporate all direct and indirect costs of providing the services and will be compliant with applicable law, including the Mitigation Fee Act (Government Code §66000 et seq.). In order to capture the actual costs of providing services, the

City retained NBS Government Finance Group (NBS), to prepare a full-cost allocation plan and to perform a comprehensive study of all City development processing fees and other City rates, charges, and user fees for various governmental services. The updated Master Fee Schedule was approved by City Council on May 10, 2017, and became effective on July 10, 2017. The City has the ability to increase fees annually based on CPI. The most recent adjustment to the user fees was a 3.11% increase approved by City Council on April 23, 2025, to be effective July 1, 2025.

MAJOR INITIATIVES

Capital Improvement Projects

FY 2024/25 Capital Improvement Plan budget included twenty proposed projects, totaling \$9.06 million. These projects are designed to provide maintenance to the roadway network, including sidewalk repair and pavement rehabilitation, and overall improvements to the aesthetics of the City. Other projects include signal and equipment upgrades and enhancements and maintenance, as well as traffic calming projects. The construction of the improvements along Antonio Parkway, including both the City entryway monument and median improvements are underway and are anticipated to be completed in the coming year. Both Federal Community Development Block Grant (CDBG) funds, as well as Gas Tax funds were used for ADA Improvements in an effort to increase the number of sites throughout the City. Facility projects included the interior LED lighting conversion project at both buildings, BTRCC ballroom floor maintenance, and the initial phase of the solar panel and roof repairs at both City Hall and BTRCC, which will be completed in FY 2025/26. The City completed the design phase for both the SMP Bridge (Eastbound) and the Antonio Parkway Bridge preventative maintenance projects and will move into the construction phase in FY 2025/26.

Economic Development

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

Circulation Element Update

The Circulation Element is the final element in the comprehensive General Plan Update. Work on the update began in September 2023 and continued throughout 2024 with adoption of the Circulation Element Update on July 9, 2025.

Local Hazard Mitigation Plan Update

The City's FEMA-approved 2019 Local Hazard Mitigation Plan (LHMP) was due to be updated in 2024. The City received grant funding from Cal OES for this project and hired a consultant to prepare the update. Work on the project began in early 2024 and the updated LHMP was submitted to Cal OES and FEMA for review in November 2024. Following review by both agencies, and issuance of an "approval pending adoption" letter from FEMA, the City Council adopted the updated LHMP on July 9, 2025.

Fire Hazard Severity Zone Map Adoption

State law requires all cities with a Local Responsibility Area to designate by ordinance moderate, high, and very high fire hazard severity zones-based maps recommended by the California Department of Forestry and Fire Protection, Office of the State Fire Marshall (Commonly known as “Cal Fire”). The recommended map was received from Cal Fire on March 24, 2025, and the City met all requirements for noticing and adoption, with a public hearing and first reading of the ordinance approved on June 25, 2025.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Santa Margarita for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the twenty-second consecutive year that the City has received this award. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA for inclusion in the award program evaluations for this fiscal year ended June 30, 2025.

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

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

Respectfully submitted,



Jennifer M. Cervantez
City Manager

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Rancho Santa Margarita
California**

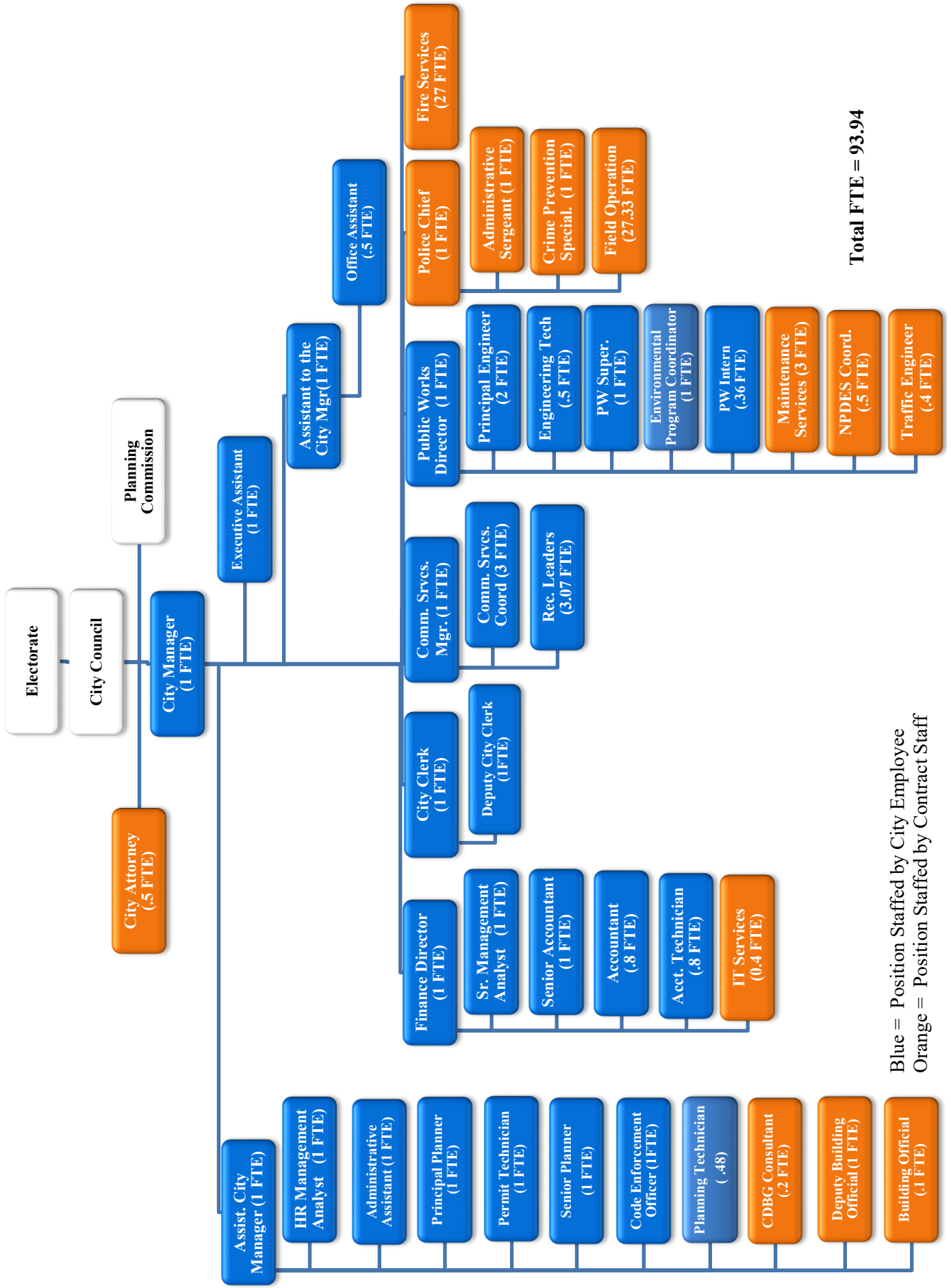
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

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



Blue = Position Staffed by City Employee
Orange = Position Staffed by Contract Staff

City of Rancho Santa Margarita

LIST OF PRINCIPAL OFFICIALS

Council – Manager Form of Government

CITY COUNCIL

L.ANTHONY BEALL
Mayor

BRADLEY J. MCGIRR
Mayor Pro Tempore

KERI LYNN BAERT
Council Member
District 3

ANNE D. FIGUEROA
Council Member

JERRY HOLLOWAY
Council Member

CITY ADMINISTRATION

Jennifer M. Cervantez, Ph.D.
City Manager/City Treasurer

Stefanie Turner/Finance Director
Cheryl Kuta, Assistant City Manager/Development Services Director
Greg Simonian, City Attorney
Amy Diaz, City Clerk
Police Chief Dwayne Chapple, Chief of Police Services
Wendi Redington, Community Services Manager
Joe Parco, City Engineer/Public Works Director

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Financial Section

Rancho Santa Margarita, California

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita (the "City"), as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in Note 5 to the financial statements, during the year ended June 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios, Budgetary Comparison Schedules for the General Fund* to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the City's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements* and budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 5, 2025

Management Discussion & Analysis

Rancho Santa Margarita, California

CITY OF RANCHO SANTA MARGARITA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rancho Santa Margarita, California (City), we offer readers of the City of Rancho Santa Margarita's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements which follow this discussion.

Financial Highlights

- The government-wide assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources, on June 30, 2025, by \$142.6 million (*net position*). Of this amount, \$30.5 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$4.3 million of net position for specific City programs. Investment in capital assets totals \$107.8 million.
- The government's total net position increased by \$.63 million during the fiscal year ended June 30, 2025. Revenues decreased by \$1.72 million. The "Other" revenue increased by \$0.034 million due to the receipt of liquidated damages associated with the Collection Reliability & Consumer Responsiveness customer survey results as outlined in the City's trash hauler agreement. Sales Tax decreased by \$0.09 million as various categories, including Auto and Transportation, reflected lower sales tax receipts as consumer spending remained cautious due to the uncertainty of a recession and potential impacts related to tariffs. On the other hand, even with the in-state distribution centers shift in sales tax from the countywide pools to those local agencies with online fulfillment centers, the Countywide Pool revenue remains strong. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.45 million; fees and intergovernmental revenues were down slightly from year to year; operating grants and contributions decreased \$1.89 million as there were no American Rescue Plan Act (ARPA) grant funds available in the current fiscal year. Investment revenue increased by \$0.05 million due to interest rates adjusted by the Federal government to address inflation. Capital grants and contributions reflect a decrease of \$0.23 million due to one-time only grants in the prior fiscal year, as well as charges for services which experienced a decrease of \$0.01 million. The increase from the prior year in total government expenses is \$1.24 million which stems from an increase in expenditures related to the Orange County Sheriff's Department (OCSd) contract increases based on the salary and benefits changes approved and adopted by the Orange County Board of Supervisors, as well as an increase associated with a new street sweeping contract as well as mid-year approval of additional seasonal sweeping from October through April. There was also a significant increase in General Fund reserves used toward planned capital projects such as the Antonio Parkway Gateway Improvement monument and median project, resurfacing of the ballroom floor at the BTRCC, installation of the electric vehicle charging station, and the interior LED lighting conversion project at City Hall and the BTRCC.

- As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$37.5 million, a decrease of \$1.04 million in comparison with the prior year. Approximately 11.6 percent, or \$4.3 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 88.4 percent, or \$33.2 million is available for other spending purposes at the City Council's discretion (*assigned, unassigned fund balance*).
- As of June 30, 2025, the City's General Fund totaled \$33.1 million. Of the total fund balance, \$0.050 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$19.8 million and unassigned fund balance of \$13.2 million. This portion of General Fund totaled \$33.1 million, which equaled 131 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2025. Although available, the City Council has classified this \$33.1 million for specific purposes, including emergencies.
- The City's total long-term liabilities decreased slightly by \$.064 million (6.023 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 2024, offset by the increase in Net Pension Liability and Other Post-Employment Benefits (OPEB).

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the individual funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Rancho Santa Margarita uses only *governmental funds* for accounting and reporting purposes.

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

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

The City maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund 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 (76 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, 2025 and 2024
(in thousands)

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Assets:		
Current and other assets	\$ 40,776	\$ 40,751
Capital assets	<u>113,709</u>	<u>112,362</u>
Total assets	<u>154,485</u>	<u>153,113</u>
 Deferred Outflows of Resources:	 <u>1,584</u>	 <u>2,027</u>
 Liabilities:		
Long-term liabilities	10,048	10,692
Other liabilities	<u>3,114</u>	<u>2,143</u>
Total liabilities	<u>13,162</u>	<u>12,835</u>
 Deferred Inflows of Resources:	 <u>256</u>	 <u>281</u>
 Net Position:		
Net investment in capital assets	107,879	105,984
Restricted	4,301	4,390
Unrestricted	<u>30,471</u>	<u>31,650</u>
Total net position	<u>\$ 142,651</u>	<u>\$ 142,024</u>

During the fiscal year ended June 30, 2025, net position of the City increased .44 percent to \$142.6 million, of which \$107.8 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$4.3 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$30.5 million, a decrease of 3.7 percent from the prior year's total of \$31.6 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 Fiscal Years Ended June 30, 2025 and 2024
(in thousands)

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Revenues		
Program revenues:		
Charges for service	\$ 1,495	\$ 1,508
Operating grants and contributions	4,688	6,582
Capital grants and contributions	61	293
General revenues:		
Property taxes	9,747	9,293
Sales taxes	8,394	8,483
Fees and intergovernmental	1,711	1,742
Other revenues	81	47
Investment revenue	1,673	1,621
Total revenues	<u>27,850</u>	<u>29,569</u>
Expenses		
General government	5,154	5,035
Building and planning	989	1,527
Public safety	12,796	11,748
Public works	8,111	7,479
Interest expense	173	195
Total expenses	<u>27,223</u>	<u>25,984</u>
Excess (deficit) of revenues over expenses	<u>627</u>	<u>3,585</u>
Increase (Decrease) in net position	627	3,585
Beginning net position	<u>142,024</u>	<u>138,439</u>
Ending net position	<u>\$ 142,651</u>	<u>\$ 142,024</u>

Overall, Citywide revenues for the fiscal year ended June 30, 2025, decreased by \$1.72 million, a 5.81 percent decrease over the prior year. Property tax revenue increased by \$0.45 million and sales tax revenue decreased slightly by \$0.09 million as consumer spending remained cautious due to the uncertainty of a recession and potential impacts related to tariffs. However, there was steady growth in the Countywide Pool. Other revenue increased by \$0.034 million due to the receipt of liquidated damages associated with the Collection Reliability & Consumer Responsiveness customer survey results as outlined in the City's trash hauler agreement. Investment revenue increased by \$0.05 million due to interest rates adjusted by the Federal government to address inflation.

- Total program revenues of \$6.2 million were 22 percent of total revenues.
- Total general revenues of \$21.6 million were 78 percent of total revenues.

Total related expenses increased by \$1.24 million, a 4.76 percent increase from the prior year. Public Works expenses, which account for 30 percent of the total expenses, were used for street renovation and repair projects throughout the City, traffic signal equipment upgrades and enhancements, fourth year of the required five-year maintenance plan on the Santa Margarita Parkway Bridge Hinge Repair project, design stages on the SMP Bridge (Eastbound) and Antonio Parkway Bridge, the construction of the Antonio Parkway Gateway monument and median, as well as, improvements to both City Hall and the BTRCC, including the conversion to LED interior lighting, initial stage of the solar roof panel installation, ballroom floor resurfacing, and electric vehicle charging station. Public Safety expenses accounted for 47 percent of total current expenses. General Government expenses account for 19 percent of total expenses, which is relatively flat compared to the prior year. The overall increase in expenses stems from increased costs throughout the City due to inflationary pricing as well as increased costs within Police Services. The increase in Police Services stems from an increase in expenditures related to the Orange County Sheriff's Department (OCSD) contract increases based on the salary and benefits changes approved and adopted by the Orange County Board of Supervisors in the prior fiscal year. Also, vacancy credits that are applied to the overall contract costs at the end of the fiscal year were lower compared to the prior year due to a higher use of overtime costs associated with the Airport Fire that occurred in September 2024.

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, 2025, the City's governmental funds reported total combined ending fund balances of \$37.5 million, a decrease of \$1.05 million from the prior year. Approximately 53 percent of the City's governmental funds ending fund balances, or \$20 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 35 percent of the City's governmental funds ending fund balances, or \$13.2 million, constitutes *unassigned fund balance*, which is available for spending at the government's direction. *Restricted fund balance* of \$4.3 million, or 11.6 percent is available to: 1) pay debt service and 2) use for specific purposes as required by special revenue funds (\$4.3 million). The remainder of fund balance, \$0.050 million, is *committed* to indicate that it is not available for new spending, because it has already been committed to a reserve for self-insurance deductible liability (\$0.03 million).

General Fund Financial Highlights

The general fund is the chief operating fund of the City. At June 30, 2025, assigned fund balance was \$19.8 million and unassigned fund balance of the general fund was \$13.2 million, while total fund balance was \$33.1 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 52.3 percent of the total General Fund expenditures including transfers. As mentioned above, however, the City Council has classified the assigned fund balance of \$19.8 million for specified purposes.

City of Rancho Santa Margarita
Summary of Changes in Fund Balances - General Fund
For the Fiscal Year Ended June 30, 2025 and 2024
(in thousands)

	<u>2025</u>	<u>2024</u>
Revenues		
Taxes	\$ 18,141	\$ 17,776
Fees and permits	2,282	2,325
Intergovernmental	754	739
Charges for service	502	478
Investment income	1,438	1,400
Fines, forfeits and penalties	244	297
Other	81	47
Total revenues	<u>23,442</u>	<u>23,062</u>
Expenditures		
General government	4,849	4,589
Building and planning	1,729	1,602
Public safety	12,623	11,595
Public works	3,055	2,814
Total expenditures	<u>22,256</u>	<u>20,600</u>
Excess (Deficit) of revenues over expenditures	1,186	2,462
Net transfers	<u>(2,124)</u>	<u>1,512</u>
Increase (Decrease) in Fund Balance	<u><u>\$ (938)</u></u>	<u><u>\$ 3,974</u></u>

For the fiscal year ending June 30, 2025, the cash and investments balance in the General Fund was \$32.7 million, a decrease of \$0.42 million compared to the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2025, increased by \$0.38 million, or 1.65 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 \$0.45 million due to increases in assessed valuations. The increase in property tax stems from revenue generated by various property tax categories included, but not limited to, Secured, Unsecured, Supplemental, Property Transfer Tax, and Property Tax in lieu of VLF. Property Tax in lieu of VLF represents \$6.1 million of the \$18.1 million in overall taxes category.
- Sales tax revenues decreased \$0.09 million, to \$8.4 million, as sales receipts in various categories were down due to consumer concerns about the economy, however, the countywide pool reflected steady revenue from the popularity of online shopping.
- Other revenue increased by \$0.034 million, to \$0.081 million, mostly due to the receipt of liquidated damages based on provisions within the trash hauler agreement.
- Investment Revenue increased by \$.038 million due to interest rates remaining high due to prior adjustments by the Federal government in an effort to address inflation.

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2025:

- General government expenditures increased by 5.67 percent to \$4.8 million from the prior year expenditures. The increase in General Government reflects higher expenditures due to inflationary pricing throughout the City departments. The City experienced a larger increase in legal services due to expenditures pertaining to litigation regarding California Voting Rights Act (CVRA) fees charged to the City, as well as, significant work on the implementation of the Housing Element which involved drafting and review of documents related to the Hazard Mitigation Plan, as well as, ordinances related to the Fire Hazard Severity Zone Map, E-Bike, anti-camping, and Citywide speed limits. The City also experienced significant increases in general liability, workers compensation, and property insurance costs.
- Public safety expenditures increased by \$1.03 million to \$12.6 million. This increase is the net effect of annually increased contract costs associated with police services provided by the Orange County Sheriff's Department, which were reduced by offsetting vacancy credits applied to the contract each fiscal year. The offsetting vacancy credits were lower compared to the prior year due to a higher use of overtime costs associated with the Airport Fire that occurred in September 2024. Public Safety also increased due to higher costs for crossing guard services, and an overall increase in operational expenditures, including fuel and equipment maintenance. The City's Animal Control costs reflect a slight decrease due to an offsetting prior year true-up credit against expenditures. Public safety expenditures were 56 percent of total General Fund expenditures.
- Public works expenditures increased by \$0.24 million, to \$3.0 million, due to an increase in the Public Works administration salary and benefit costs based on staff recruitments between the fiscal years; however, overall personnel costs can fluctuate from year to year based on the type and number CIP projects each year, as staff time is charged directly to various capital improvement projects in the CIP fund. Public Works also includes the purchase of a new City electric vehicle, and slightly higher traffic engineering costs. Street Maintenance reflects an increase in costs for both general street maintenance, street sweeping, and traffic signal maintenance. The increase is due to current and deferred roadway striping being performed in the current fiscal year, costs associated with the Airport Fire, as well as a significant increase in the street sweeping contract. However, it also reflects a significant decrease in special repairs expenditures that occurred due to fewer damage claims to City property during the fiscal year. On the other hand, building maintenance was lower as there was a decrease in maintenance costs at both City Hall and

the Bell Tower Regional Community Center, as well as lower utility costs due to the LED lighting conversion project's ability to help offset ongoing increases in utility rates.

- Building and planning expenditures increased by \$0.127 million, to \$1.72 million, primarily related to the costs associated with the Hazard Mitigation Plan update performed during the fiscal year. There was also an increase in expenditures toward homeless outreach which is offset by the Permanent Local Housing Allocation (PLHA) grant. Community Development Block Grant (CDBG) costs increased due to funding toward a project with Habitat for Humanity. Building costs were relatively flat due to steady applications for home improvement projects throughout the year; however, these costs were offset by an increase in building permit and fee revenue.

General Fund Budgetary Highlights

Differences between the General Fund expenditures/transfers out and the final amended budget were \$1.76 million and can be briefly summarized as follows:

- \$0.28 million in decreases allocated to general government activities.
- \$0.04 million in increases allocated to building and planning activities.
- \$0.28 million in decreases allocated to public works activities
- \$0.19 million in decreases for public safety activities.
- \$1.04 million in decreases for transfers to other funds.

These overall decreases can be attributed to deferred capital projects and information technology projects, unspent grant and economic development funds, credit towards the law enforcement contract, and conservative spending maintained throughout the fiscal year.

The original general fund budget was amended to increase general fund expenditures by \$0.57 million. This increase stemmed from a CIP budget amendment for additional costs toward the Antonio Parkway Gateway Median project. This amendment was funded by available General Fund reserves.

Other Major Funds Highlights: Capital Projects Fund

The Capital Projects Fund accounts for street, bridge, traffic signal and other circulation related capital projects funded by grants, fees and interest revenue. The actual fund balance decreased slightly from \$.199 to \$.178 million. This change in fund balance is due to the reimbursement of grant expenditures for all three bridge projects including the SMP Bridge Hinge repair (Westbound), the SMP Bridge (Eastbound) and the Antonio Bridge repair projects from Caltrans were not received within the City's revenue recognition period.

Capital Asset and Debt Administration

Capital Assets

The City's net capital assets for its governmental activities, as of June 30, 2025, amount to \$113.7 million. The net capital assets include land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net capital assets for the current fiscal year was 1.35 percent.

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

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Governmental Activities:				
Total capital assets not being depreciated	\$ 97,311	\$ 3,694	\$ 3,774	\$ 97,231
 Total capital assets being depreciated	 95,105	 3,846	 55	 98,896
Total accumulated depreciation	(80,055)	(2,418)	(55)	(82,418)
Total capital assets, being depreciated, net	15,050	1,428	-	16,478
Governmental activities capital assets, net	\$ 112,361	\$ 5,122	\$ 3,774	\$ 113,709

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

- Additions to construction in progress of \$3.69 million included on-going projects for traffic signal enhancements and upgrades Skate Park renovations, on-going bridge projects, as well as expenditures for the SMP Signal Sync Project. The additions include the completion of traffic signal enhancement and signal equipment upgrade projects, ADA curb ramp installation project, the Antonio Parkway Gateway monument and median improvement projects, installation of the electric vehicle charging station, as well as the completion of the City Hall and BTRCC Interior LED Lighting Conversion project.
- Infrastructure additions for the year totaled \$3.0 million related to the completion of traffic signal enhancement and upgrade projects, the Antonio Parkway Gateway Improvement projects for both the monument and median, as well as a more robust ADA curb ramp project.
- Additions to Buildings of \$.074 million stems from the completion of the Interior LED Lighting Conversion project at City Hall and BTRCC.
- Machinery and Equipment additions include the purchase of an electric vehicle along with the installation of an electric vehicle charging station at City Hall. While disposals of \$0.055 million included the removal of fully depreciated and no longer in use information technology software and equipment.

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

The City elected to use the modified approach in reporting its pavement subsystem. Under the modified approach, infrastructure assets that are part of a network or a subsystem of a network are not required to be depreciated as long as two requirements are met. First, the government shall manage the eligible infrastructure assets using an asset management system and secondly, the government shall document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. The condition of the pavement subsystem is measured using the Rancho Santa

Margarita Pavement Condition Index. The City Council has adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. The assessed PCI for 2025 was an average of 83.8, or satisfactory. This average PCI was maintained since the last update in 2024. Actual expenses for pavement condition maintenance were less than budgeted amounts due to timing of projects, as well as conservative cost estimates.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$5.8 million.

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

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025	Long- Term	Due Within One Year
Lease Revenue						
Refunding Bonds	\$ 6,345	\$ -	\$ 545	\$ 5,800	\$ 5,230	\$ 570
Bond premium	259	-	27	232	205	27
Compensated						
Absences	472	390	353	509	280	229
Long-Term Liabilities						
Total	<u>\$ 7,076</u>	<u>\$ 390</u>	<u>\$ 925</u>	<u>\$ 6,541</u>	<u>\$ 5,715</u>	<u>\$ 826</u>

Long-term debt-related events during the fiscal year ended June 30, 2025, included:

- Compensated absences liabilities increased to \$0.51 million and usage by employees amounted to \$0.35 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2025, totaled \$0.028 million.

Other long-term liability events during the fiscal year ending June 30, 2025, included:

- Other post-employment benefit liabilities, (OPEB) increased by \$0.027 million.
- The Net Pension Liability for Fiscal year 2024/25 had a net decrease of \$0.136 million.

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

Economic Factors and Next Year's Budgets and Rates

The City of Rancho Santa Margarita's economy is clearly linked to the national and state economy. As the City matures, its local economy can experience departures from other local, state or national trends with resultant recurring revenue fluctuations. Additionally, because the City's revenues are obtained from a limited number of sources, further revenue fluctuations

may occur from year to year. The City uses third party consultants and agencies to analyze and review economic forecasts and trends in developing its budget model.

These consultants and agencies include the County of Orange, California Department of Tax and Fee Administration, HdL Companies, and various Universities that provide economic data and analysis. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation, can be obtained from the City's 2025-2026 citywide budget, available through the City Manager's Office.

Requests for Information

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

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Government-Wide Financial Statements

Rancho Santa Margarita, California

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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

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

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

CITY OF RANCHO SANTA MARGARITA
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
Assets:	
Cash and investments (note 2)	\$ 37,750,989
Cash and investments with fiscal agent (note 2)	2,707
Receivables:	
Due from other governments	2,558,840
Accrued interest	214,948
Accounts, net	229,517
Prepaid items	19,519
Non-depreciable capital assets (note 4)	97,230,780
Capital assets, depreciated, net (note 4)	16,478,101
Total assets	<u>154,485,401</u>
Deferred Outflows of Resources:	
Deferred amount on refunding, net of accumulated amortization	202,066
Deferred amounts on OPEB (note 7)	397,257
Deferred amounts on pension plan (note 6)	984,992
Total deferred outflows of resources	<u>1,584,315</u>
Liabilities:	
Accounts payable	2,402,117
Wages payable	176,820
Unearned revenue	72,084
Retentions payable	206,082
Deposits	228,938
Interest payable	28,273
Long-term liabilities:	
Due within one year - lease payable (note 5)	570,000
Due within one year - compensated absences (note 5)	229,109
Due within one year - Bond Premium (note 5)	27,233
Due within one year - OPEB (note 7)	13,627
Due in more than one year	5,714,275
Other Post-Employment Benefits (OPEB) Liability (note 7)	1,040,816
Net Pension Liability (note 6)	2,453,337
Total liabilities	<u>13,162,711</u>
Deferred Inflows of Resources:	
Deferred amounts on pension plan (note 6)	36,956
Deferred amounts on OPEB (note 7)	219,206
Total deferred inflows of resources	<u>256,162</u>
Net position:	
Net investment in capital assets	107,879,462
Restricted for:	
Public safety	398,500
Public works	3,902,367
Unrestricted	30,470,514
Total net position	<u>\$ 142,650,843</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF RANCHO SANTA MARGARITA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

		Program Revenues			
		Charges for	Operating	Capital	Net
	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
			<u>and Grants</u>	<u>and Grants</u>	<u>Activities</u>
Governmental activities:					
General government	\$ 5,154,337	\$ 301,087	\$ 268,684	\$ -	\$ (4,584,566)
Building and planning	988,903	896,571	396,331	-	303,999
Public safety	12,795,596	243,490	201,823	-	(12,350,283)
Public works	8,111,073	54,058	3,820,680	61,237	(4,175,098)
Interest expense	173,444	-	-	-	(173,444)
Total governmental activities	<u>\$ 27,223,353</u>	<u>\$ 1,495,206</u>	<u>\$ 4,687,518</u>	<u>\$ 61,237</u>	<u>\$ (20,979,392)</u>
General revenues:					
Taxes:					
Property taxes					9,442,368
Sales taxes					8,394,203
Real property transfer taxes					304,314
Franchise fees					1,635,692
Investment income					1,673,518
Unrestricted intergovernmental revenues					75,548
Other					<u>80,808</u>
Total general revenues					<u>21,606,451</u>
Change in net position					627,059
Net position at beginning of year					<u>142,023,784</u>
Net position at end of year					<u>\$ 142,650,843</u>

See Accompanying Notes to the Basic Financial Statements

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Fund Financial Statements

Rancho Santa Margarita, California

GOVERNMENTAL FUNDS

GENERAL FUND

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

CAPITAL PROJECTS FUND

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

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, 2025

Assets	General	Capital Projects	Non-Major Governmental Funds	Totals
Cash and investments	\$ 32,727,856	\$ 1,363,723	\$ 3,659,410	\$ 37,750,989
Cash and investments w/fiscal agent	-	-	2,707	2,707
Receivables:				
Due from other governments	1,734,547	48,180	652,132	2,434,859
Due from other governments - unavailable	75,541	48,440	-	123,981
Accrued interest	182,233	-	32,715	214,948
Accounts, net	229,517	-	-	229,517
Prepaid items	19,519	-	-	19,519
Total assets	<u>\$ 34,969,213</u>	<u>\$ 1,460,343</u>	<u>\$ 4,346,964</u>	<u>\$ 40,776,520</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,330,915	\$ 1,027,812	\$ 43,390	\$ 2,402,117
Wages payable	176,820	-	-	176,820
Unearned revenue	72,084	-	-	72,084
Retentions payable	-	206,082	-	206,082
Deposits	228,938	-	-	228,938
Total liabilities	<u>1,808,757</u>	<u>1,233,894</u>	<u>43,390</u>	<u>3,086,041</u>
Deferred Inflows of Resources:				
Unavailable revenue from grants	<u>75,541</u>	<u>48,440</u>	<u>-</u>	<u>123,981</u>
Total deferred inflows of resources	<u>75,541</u>	<u>48,440</u>	<u>-</u>	<u>123,981</u>
Fund balance:				
Nonspendable: Prepaid items	19,519	-	-	19,519
Restricted for debt service	-	-	2,707	2,707
Restricted for public safety	-	-	398,500	398,500
Restricted for public works	-	-	3,902,367	3,902,367
Committed for self insurance	30,000	-	-	30,000
Assigned:				
Council projects/equipment/facilities	19,821,237	-	-	19,821,237
Capital projects working capital	-	178,009	-	178,009
Unassigned	<u>13,214,159</u>	<u>-</u>	<u>-</u>	<u>13,214,159</u>
Total fund balance	<u>33,084,915</u>	<u>178,009</u>	<u>4,303,574</u>	<u>37,566,498</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 34,969,213</u>	<u>\$ 1,460,343</u>	<u>\$ 4,346,964</u>	<u>\$ 40,776,520</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, 2025**

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

Fund balances of governmental funds	\$ 37,566,498
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Capital assets net of depreciation have not been included as financial resources in governmental funds	113,708,881
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Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:

Lease Revenue Refunding Bonds Payable	(5,800,000)
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Bond Premium	(231,485)
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Deferred Amount on Bond Refunding, net	202,066
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Accrued Interest Payable	(28,273)
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Compensated Absences Payable	(509,132)
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Pension & OPEB related debt obligations 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 & OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.

Pension

Deferred outflows of resources	984,992	
Deferred inflows of resources	(36,956)	
Net Pension Liability	(2,453,337)	(1,505,301)

Other Post Employment Benefits (OPEB)

Deferred outflows of resources	397,257	
Deferred Inflows of resources	(219,206)	
Other Post Employment Benefits (OPEB) Liability	(1,054,443)	(876,392)

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.

Net position of governmental activities	\$ 142,650,843
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See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	General	Capital Projects	Non-Major Governmental Funds	Totals
Revenues:				
Taxes	\$ 18,140,885	\$ -	\$ -	\$ 18,140,885
Fees and permits	2,282,448	-	-	2,282,448
Intergovernmental	753,451	196,249	3,880,330	4,830,030
Charges for services	502,390	-	-	502,390
Investment income	1,438,426	2,181	232,911	1,673,518
Fines, forfeits and penalties	243,490	-	-	243,490
Other	80,808	-	-	80,808
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	23,441,898	198,430	4,113,241	27,753,569
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
General government	4,848,771	-	29,650	4,878,421
Building and planning	1,729,049	-	-	1,729,049
Public safety	12,622,676	-	172,920	12,795,596
Public works	3,055,083	5,241,215	375,308	8,671,606
Debt Service:				
Principal retirement	-	-	545,000	545,000
Interest	-	-	180,538	180,538
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	22,255,579	5,241,215	1,303,416	28,800,210
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	1,186,319	(5,042,785)	2,809,825	(1,046,641)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Transfers in (note 3)	892,411	5,021,373	725,351	6,639,135
Transfers out (note 3)	(3,016,211)	-	(3,622,924)	(6,639,135)
	<hr/>	<hr/>	<hr/>	<hr/>
Total financing sources (uses)	(2,123,800)	5,021,373	(2,897,573)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(937,481)	(21,412)	(87,748)	(1,046,641)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	34,022,396	199,421	4,391,322	38,613,139
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 33,084,915	\$ 178,009	\$ 4,303,574	\$ 37,566,498
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2025**

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

Net change in fund balances - total governmental funds	\$ (1,046,641)
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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. This is the amount by which capital outlays exceeded depreciation expense in the current period.	1,347,155
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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)	545,000
Amortization of deferred loss on bond refunding	(23,773)
Amortization of premium on Refunding Bonds Issued	27,233
Accrued Interest Payable on long term debt (Lease Revenue Refunding Bonds)	3,635
Compensated Absences	(37,386)
Change in OPEB Liability and related deferred outflows and inflows of resources	(80,198)

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.	(204,808)
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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.	96,842
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Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 627,059</div>
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Notes to the Basic Financial Statements

Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

**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. 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, 2025 (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, 2025 (CONTINUED)

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

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

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

Deferred Outflows / Inflows of Resources

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

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

Fund Financial Statements

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

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

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Governmental Funds

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (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, streetlights, 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, 2025 (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 by no more than 2% each year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

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

(f) Encumbrances

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

(g) Interfund Transactions

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

(h) Estimates

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

(i) Fund Balance

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

Nonspendable Fund Balance

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

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

Spendable Fund Balance

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

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

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has been granted to the City Manager by the City Council through resolution 23-06-28-02.

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

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

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

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and investments	\$ 37,750,989
Cash and investments with fiscal agent	<u>2,707</u>
Total Cash and Investments	<u>\$ 37,753,696</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Cash and investments on June 30, 2025, consisted of the following:

Cash and Investments held by City:	
Deposits in banks or on hand	\$ 16,430,210
Local Agency Investment Fund (LAIF)	<u>21,320,779</u>
 Total Cash and Investments held by City	 <u>37,750,989</u>
 Cash and Investments held by Fiscal Agent:	
Money Market Mutual Fund	<u>2,707</u>
 Total Cash and Investments	 <u>\$ 37,753,696</u>

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (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, 2025 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment Type	Remaining Maturity (in Months)				
	Total Amount	0-12 Months	12-23 Months	24-35 Months	Greater than 36 Months
Local Agency Investment Fund (LAIF)	\$ 21,320,779	\$ 21,320,779	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Money Market Mutual Fund	2,707	2,707	-	-	-
Total	<u>\$ 21,323,486</u>	<u>\$ 21,323,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

Investment Type	Total Amount	Minimum Legal Rating	Rating as of Fiscal Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 21,320,779	N/A	\$ -	\$ 21,320,779
Held by bond fiscal agent:				
Money Market Mutual Fund	2,707	AAA	2,707	-
Total	<u>\$ 21,323,486</u>		<u>\$ 2,707</u>	<u>\$ 21,320,779</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (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, 2025, 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, 2025 (CONTINUED)**

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers In and Out

Transfers in and out for the year ended June 30, 2025, are as follows:

	Transfers From:		
	General Fund	Non-major Funds	Total
Transfers To:			
General Fund	\$ -	\$ 892,411	\$ 892,411
Capital Projects	2,290,860	2,730,513	5,021,373
Non-major Funds	725,351	-	725,351
Total Transfers	<u>\$ 3,016,211</u>	<u>\$ 3,622,924</u>	<u>\$ 6,639,135</u>

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

- The transfer of \$892,411 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 \$2,290,860 from the General Fund to the Capital Projects Fund was to fund the solar roof panel installation at City Hall and BTRCC (\$47,738), resurfacing the ballroom floor at the BTRCC (\$26,989), a portion of the Traffic Signal Enhancement project (\$260,000), costs associated with the City Hall Interior LED Lighting Conversion project (\$700,422), the installation of the electric vehicle charger (\$10,305), costs associated with the landscaping at SR-241 at Santa Margarita Parkway (\$2,070) and the Antonio Parkway Gateway improvement project (\$1,243,336).
- The transfer of \$2,730,513 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$542,326), various street rehabilitation and improvement projects (\$793,480) and other street, sidewalk repairs and maintenance throughout the city (\$116,700). The transfer also includes traffic signal and equipment upgrades of (\$125,769). The transfer includes the City's match of Gas Tax funds for various Bridge Repair projects (\$10,990), as well as costs towards the completion of the Antonio Parkway Gateway improvement project (\$1,141,248).
- The transfer of \$725,351 from the General Fund to the Debt Service Fund was to pay principal and interest on the Lease Revenue Refunding Bond for the RSM Public Financing Authority.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 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	290,845	3,693,697	3,774,107	210,435
Infrastructure - pavement	46,766,726	-	-	46,766,726
Total capital assets not being depreciated	<u>97,311,190</u>	<u>3,693,697</u>	<u>3,774,107</u>	<u>97,230,780</u>
Capital assets being depreciated:				
Machinery & equipment	1,074,259	88,750	54,619	1,108,390
Buildings	19,324,770	743,211	-	20,067,981
Parks	2,855,251	-	-	2,855,251
Infrastructure - all others	71,850,841	3,014,070	-	74,864,911
Total capital assets being depreciated	<u>95,105,121</u>	<u>3,846,031</u>	<u>54,619</u>	<u>98,896,533</u>
Less accumulated depreciation:				
Machinery & equipment	963,566	68,511	54,619	977,458
Buildings	11,622,516	668,933	-	12,291,449
Parks	970,291	114,210	-	1,084,501
Infrastructure	66,498,214	1,566,810	-	68,065,024
Total accum. depreciation:	<u>80,054,587</u>	<u>2,418,464</u>	<u>54,619</u>	<u>82,418,432</u>
Total capital assets being depreciated, net	<u>15,050,534</u>	<u>1,427,567</u>	<u>-</u>	<u>16,478,101</u>
Total capital assets, net	<u>\$ 112,361,724</u>	<u>\$ 5,121,264</u>	<u>\$ 3,774,107</u>	<u>\$ 113,708,881</u>

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

General government	\$ 68,511
Public works	2,349,953
Total	<u>\$ 2,418,464</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2025, was as follows:

	Balance at June 30, 2024	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Lease Revenue Refunding Bonds					
City Hall & Regional					
Community Center	\$ 6,345,000	\$ -	\$ 545,000	\$ 5,800,000	\$ 570,000
Bond premium	258,719	-	27,233	231,486	27,233
Compensated absences	471,746	390,362	352,976	509,132	229,109
Total Governmental					
Long-Term Liabilities	<u>\$ 7,075,465</u>	<u>\$ 390,362</u>	<u>\$ 925,209</u>	<u>\$ 6,540,618</u>	<u>\$ 826,342</u>

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

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

The bonds are secured by base rental payments to be made by the Public Financing Authority pursuant to the lease agreement. Principal is payable annually on each November 1, commencing on November 1, 2013. Interest is payable semiannually on May 1 and November 1, commencing May 1, 2013. The outstanding balance on June 30, 2025, is \$5,800,000.

The Lease Revenue Refunding Bonds are subject to Federal arbitrage regulations, however, per the previous arbitrage rebate analysis, no further calculations of rebate liability are necessary on this bond issue.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

The annual requirements to amortize the outstanding Lease Revenue Refunding Bonds, Series 2012A as of June 30, 2025, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 570,000	\$ 158,238	\$ 728,238
2027	590,000	139,463	729,463
2028	610,000	124,081	734,081
2029	625,000	107,481	732,481
2030	645,000	90,019	735,019
2031 -2034	<u>2,760,000</u>	<u>167,775</u>	<u>2,927,775</u>
Totals	<u>\$ 5,800,000</u>	<u>\$ 787,057</u>	<u>\$ 6,587,057</u>

Compensated Absences

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

NOTE 6 – PENSION PLAN

A. General Information about the Pension Plans:

Plan Descriptions

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

Benefits Provided

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

The Plan' provisions and benefits in effect on June 30, 2025, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to February 27, 2011	On or After February 27, 2011	On or After January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8.0% (a)	7.0%	8.0%
Required employer contribution rates:			
Normal cost rate	14.03%	10.60%	8.07% (b)
Payment of unfunded liability	\$161,430	\$11,035	\$3,722

(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, 2025 (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, 2025, the City reported net pension liabilities for its proportionate shares of the net pension liability of the PERF C risk pool as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	<u>\$ 2,453,337</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, 2024, 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, 2023, rolled forward to June 30, 2024, 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, 2023, and 2024 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2023	0.05179%
Proportion - June 30, 2024	<u>0.05072%</u>
Change - Increase (Decrease)	-0.00107%

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs.

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

For the year ended June 30, 2025, the City recognized a pension expense of \$670,252. At June 30, 2025, 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	\$ 63,056	\$ -
Differences between actual and expected experience	212,113	8,277
Differences between projected and actual investment earnings	141,236	-
Differences between employer's contributions and proportionate share of contributions	6,574	17,952
Change in employer's proportion	96,568	10,727
Pension contributions made subsequent to measurement date	465,445	-
Total	<u>\$ 984,992</u>	<u>\$ 36,956</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

NOTE 6 – PENSION PLAN, (Continued)

\$465,445 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 fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2026	\$ 204,135
2027	326,696
2028	160
2029	(48,400)
2030	-
Thereafter	-
	\$ 482,591

Actuarial Assumptions

For the measurement period ended June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward June 30, 2023, total pension liability determined in the June 30, 2023, actuarial accounting valuation. The June 30, 2025, total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

NOTE 6 – PENSION PLAN, (Continued)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
- (3) The lesser of contract COLA up or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter.

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

Change of Assumptions

There were no assumption changes in 2024. However, effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with the risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

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

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

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$ 4,246,179
Current Discount Rate	6.90%
Net Pension Liability	\$ 2,453,337
1% Increase	7.90%
Net Pension Liability	\$ 977,564

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. The City's defined benefit plan for OPEB is not administered through a GASB compliant trust or equivalent arrangement.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

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

Employees Covered

Employees are eligible to receive the minimum medical premium subsidy benefit amount provided by the plan if they: 1) Satisfy eligibility requirements for vesting of benefits required by CalPERS; 2) Retire from employment with the City; 3) Elect to continue medical insurance coverage through the CalPERS plan; and 4) Pay all additional premium amounts required for the coverage option selected by them to continue in the group medical insurance plan upon retirement from the City, but must pay all premiums required to retain coverage. To receive the City's medical premium subsidy benefit, retirees must also be vested members of the CalPERS retirement system, i.e., retire on or after age 50 with 5 years of CalPERS retirement membership contributions. If the retiree discontinues coverage in the CalPERS health insurance plan, the City's obligation to pay a premium subsidy benefit ends. Retirees may continue in the CalPERS plan for the remainder of their lives. The City is not obligated under the group medical insurance plan to pay premiums for any retirees or provide post-retirement medical or health insurance benefits for retirees, or their spouses, partners, or relatives, other than the required minimum benefit payment. Eligibility for the City plan consisted of the following at June 30, 2023 (actuarial valuation date):

Eligible retirees from City service	7
Active employees, both enrolled and un-enrolled in the City's CalPERS health insurance plan	<u>24</u>
Total	<u>31</u>

Contributions

The City pays only the minimum required monthly premium subsidy benefit amount for retired City employees; an amount that can be amended by City Council action. The required premium is made (paid) monthly directly to CalPERS at the current fiscal-year rate set by CalPERS, which is adjusted annually based on the medical cost component of the consumer price index. For Fiscal Year 2024/25, the City paid \$157 or \$158 per month as the full amount required by the plan for each retiree from City service, for a total contribution of \$20,440, which is made up of a cash contribution of \$13,230 and an implicit subsidy of \$7,210. The OPEB obligation has typically been paid from the City's General Fund.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

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

OPEB Liability

The City’s OPEB liability was measured as of June 30, 2024, 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	3.93%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.93%, 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, 2025 (CONTINUED)**

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

Notes:

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 percent. The interest rate used in the prior valuation was 3.65%. When benefits are projected to not be paid by plan assets, a yield or index rate for 20 years, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher must be used.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (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, 2023	\$ 1,027,133
Changes recognized for the measurement period:	
Service Cost	67,104
Interest	37,956
Changes of assumptions	(36,158)
Net Investment income	-
Experience (Gains) / Losses	-
Benefit payments	(41,592)
Benefit payment terms	-
Administrative expense	-
Net Changes during 2023-24	27,310
Balance at June 30, 2024	
<i>(Measurement Date June 30, 2024)</i>	<u>\$ 1,054,443</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

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

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
OPEB Liability	\$1,188,722	\$1,054,443	\$946,314

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, 2024:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
OPEB Liability	\$904,736	\$1,054,443	\$1,240,926

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

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

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

For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$129,294. As of fiscal year, ended June 30, 2025, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 20,440	\$ -
Changes of Assumptions	248,974	174,331
Changes in Experience	127,843	44,875
Total	<u>\$ 397,257</u>	<u>\$ 219,206</u>

The \$20,440 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024, measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30,	Deferred Outflows/Inflows of Resources
2025	\$ 24,234
2026	24,234
2027	24,234
2028	24,234
2029	26,260
Thereafter	34,415

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 8 – RISK MANAGEMENT

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

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

The City purchases general liability insurance from California Intergovernmental Risk Authority (CIRA). There is a self-insured retention of \$10,000 per claim. CIRA provides limits to \$1,000,000. Excess coverage is provided through a combination of pooling and reinsurance for total excess coverage limits of \$40 million. The total annual contribution for this coverage was \$244,719 for the fiscal year ended June 30, 2025.

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 \$98,403 for the fiscal year ending June 30, 2025.

Property Insurance

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

Crime Bonds

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

Cyber Insurance

The City purchases cyber insurance through CIRA with limits of \$1,950,000 and a \$50,000 deductible.

Insurance premium payments to CIRA are made from the City's General Fund. There were no significant claims or claims payments during the fiscal year, and there were no significant outstanding claims at June 30, 2025. Furthermore, there have been no claims settlements or judgments that have exceeded insurance coverage since the City's inception on January 1, 2000.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 9 – CONTINGENT LIABILITIES

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

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

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

NOTE 10 – GENERAL FUND AND CAPITAL IMPROVEMENT FUND BALANCE CLASSIFICATIONS

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

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

The City's General fund balance classifications at June 30, 2025, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Non-spendable: Prepaid items	\$ 19,519
Committed for self insurance	30,000
Assigned:	
Council Strategic	\$ 14,682,491
CalPERS UAL	790,000
Technology	2,195,306
Facilities	1,515,488
Vehicles	137,952
Infrastructure	500,000
Total Assigned:	19,821,237
Unassigned:	
Emergency Policy	13,214,159
Total General Fund Balance	<u>\$ 33,084,915</u>

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

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

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

Assigned for Infrastructure – To be used for repair, replacement or improvement of City property, including roads, bridges, sidewalk, and medians and shall require a majority vote (3/5) of the City Council to access these funds. The reserve amount is linked to the City's property insurance self-insured retention (SIR). The SIR was based on five City-owned structures over a 10-year period for a base amount of \$500,000.

Emergency Policy – Unassigned to be used for resumption of City services, during a natural or man-made disaster, which shall require a super majority vote (4/5) of the City Council to access these funds during non-emergencies, and majority vote (3/5) of the City Council to access these funds during emergencies. The total balance is set for 40% of the total General Fund Balance. Unless earmarked for specific identifiable improvements or projects, emergency funds may not be classified as committed or assigned; and are therefore included in the unassigned classification.

NOTE 11 – EXCESS EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations for the year ended June 30, 2025, as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
SLESF	\$ 160,572	\$ 172,920	\$ (12,348)

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Required Supplementary Information

Rancho Santa Margarita, California

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**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2025**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years

Fiscal year ended June 30	2025	2024	2023	2022
Measurement date ended June 30	2024	2023	2022	2021
Plan's proportion of the net pension liability	0.05072%	0.05179%	0.02004%	0.01334%
Plan's proportionate share of the net pension liability	\$ 2,453,337	\$ 2,589,794	\$ 2,314,404	\$ 721,653
Plan's covered payroll	\$ 2,822,472	\$ 2,680,549	\$ 2,483,967	\$ 2,289,372
Plan's proportionate share of the net pension liability as a percentage of covered payroll	86.92%	96.61%	93.17%	31.52%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.08%	76.21%	76.68%	88.29%
Plan's proportionate share of aggregate employer contributions	\$ 413,490	\$ 383,944	\$ 453,396	\$ 370,910

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

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

From fiscal year June 30, 2019 to June 30, 2022:

There were no changes in assumptions.

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

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

From fiscal year June 30, 2023 through June 30, 2025:

There were no changes in assumptions.

2021	2020	2019	2018	2017	2016
2020	2019	2018	2017	2016	2015
0.01690%	0.01657%	0.01619%	0.01661%	0.01653%	0.01721%
\$ 1,838,776	\$ 1,697,876	\$ 1,560,147	\$ 1,646,931	\$ 1,430,589	\$ 1,180,978
\$ 2,481,988	\$ 2,269,275	\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340
74.08%	74.82%	70.08%	72.10%	66.72%	66.19%
75.10%	75.26%	75.26%	73.31%	74.06%	78.40%
\$ 322,602	\$ 272,138	\$ 228,430	\$ 197,179	\$ 168,530	\$ 142,383

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years

	2025	2024	2023	2022
Contractually required contribution (actuarially determined)	\$ 465,445	\$ 413,758	\$ 397,405	\$ 358,509
Contributions in relation to the actuarially determined contribution	465,445	413,758	397,405	358,509
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,944,266	\$ 2,822,472	\$ 2,680,549	\$ 2,483,967
Contributions as a percentage of covered payroll	15.81%	14.66%	14.83%	14.43%

Notes to Schedule:

Valuation Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age **
Amortization method	Level percentage of payroll, closed **
Asset valuation method	Fair Market Value***
Inflation	2.30% **
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	6.80%, net of pension plan investment expense, including inflation **
Retirement age	50 years (Tier I 2.5%@55, Tier II 2%@60) and 52 years (PEPRA 2%@62) **
Mortality	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021.**

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

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

2021	2020	2019	2018	2017	2016
\$ 346,683	\$ 317,543	\$ 331,671	\$ 300,998	\$ 296,102	\$ 269,353
346,683	317,543	331,671	300,998	296,102	269,353
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,289,372	\$ 2,481,988	\$ 2,269,275	\$ 2,226,095	\$ 2,284,352	\$ 2,144,126
15.14%	12.79%	14.62%	13.52%	12.96%	12.56%
6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

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, 2025

Measurement Date ended June 30	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 67,104	\$ 51,457	\$ 66,600	\$ 75,184
Interest on the total OPEB liability	37,956	31,306	21,974	19,676
Actual and expected experience difference	-	82,240	-	53,389
Changes in assumptions	(36,158)	20,087	(181,771)	24,535
Changes in benefit terms	-	-	-	-
Benefit payments	<u>(41,592)</u>	<u>(33,152)</u>	<u>(31,280)</u>	<u>(29,885)</u>
Net change in total OPEB liability	27,310	151,938	(124,477)	142,899
Total OPEB liability - beginning	<u>1,027,133</u>	<u>875,195</u>	<u>999,672</u>	<u>856,773</u>
Total OPEB liability - ending (a)	<u><u>\$ 1,054,443</u></u>	<u><u>\$ 1,027,133</u></u>	<u><u>\$ 875,195</u></u>	<u><u>\$ 999,672</u></u>
 Covered-employee payroll	 \$ 2,822,472	 \$ 2,680,549	 \$ 2,483,967	 \$ 2,289,372
Total OPEB liability as a percentage of covered-employee payroll	37.36%	38.32%	35.23%	43.67%

Notes to Schedule:

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

The defined benefit plan for OPEB is not administered through a GASB compliant trust or equivalent arrangement.

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

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

The discount rate changed from 3.5% to 2.2% for the valuation done as of the June 30, 2020 measurement date.

The discount rate changed from 2.20% to 2.16% for the valuation done as of the June 30, 2021 measurement date.

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

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

The discount rate changed from 3.65% to 3.93% for the valuation done as of the June 30, 2024 measurement date.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 56,298	\$ 31,006	\$ 32,568	\$ 31,696
23,776	17,189	16,531	13,886
-	(89,499)	-	-
139,229	273,859	(22,286)	-
-	(1,018)	-	-
<u>(27,371)</u>	<u>(8,070)</u>	<u>(8,338)</u>	<u>(8,017)</u>
191,932	223,467	18,475	37,565
<u>664,841</u>	<u>441,374</u>	<u>422,899</u>	<u>385,334</u>
<u>\$ 856,773</u>	<u>\$ 664,841</u>	<u>\$ 441,374</u>	<u>\$ 422,899</u>
\$ 2,481,988	\$ 2,269,275	\$ 2,269,275	\$ 2,226,095
34.52%	29.30%	19.45%	19.00%

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND

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

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes	\$ 18,126,167	\$ 18,126,167	\$ 18,140,885	\$ 14,718
Fees and permits	2,221,258	2,221,258	2,282,448	61,190
Intergovernmental	807,365	807,365	753,451	(53,914)
Charges for service	487,900	487,900	502,390	14,490
Investment income	801,576	801,576	1,438,426	636,850
Fines, forfeits and penalties	266,000	266,000	243,490	(22,510)
Other	50,000	50,000	80,808	30,808
Total revenues	<u>22,760,266</u>	<u>22,760,266</u>	<u>23,441,898</u>	<u>681,632</u>
Expenditures:				
General government	5,126,140	5,126,140	4,848,771	277,369
Building and planning	1,687,038	1,687,038	1,729,049	(42,011)
Public safety	12,820,342	12,820,342	12,622,676	197,666
Public works	3,335,281	3,335,281	3,055,083	280,198
Total expenditures	<u>22,968,801</u>	<u>22,968,801</u>	<u>22,255,579</u>	<u>713,222</u>
Other financing sources (uses):				
Transfers in	985,217	985,217	892,411	(92,806)
Transfers out	<u>(3,491,538)</u>	<u>(4,061,538)</u>	<u>(3,016,211)</u>	<u>1,045,327</u>
Total financing sources				
(uses)	<u>(2,506,321)</u>	<u>(3,076,321)</u>	<u>(2,123,800)</u>	<u>952,521</u>
Net change in fund balances	(2,714,856)	(3,284,856)	(937,481)	2,347,375
Fund balances, beginning of year	<u>34,022,396</u>	<u>34,022,396</u>	<u>34,022,396</u>	<u>-</u>
Fund balances, end of year	<u>\$ 31,307,540</u>	<u>\$ 30,737,540</u>	<u>\$ 33,084,915</u>	<u>\$ 2,347,375</u>

See Notes to the Required Supplementary Information

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

NOTE 1 – CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE

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

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

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

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

The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. In order to establish and maintain eligibility for Measure M transportation funding provided by Orange County, California, the City must adopt and fund a local Pavement Management Plan (PMP). The local PMP is required to be updated every 2 years to maintain Measure M2 eligibility. The City Council has previously adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. The assessed PCI for 2025 was an average of 83.8, or satisfactory. This average PCI was maintained since the last update in 2024. 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, 2025 (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>
2025: Pavement subsystem	83.8	70
2024: Pavement subsystem	84.1	70
2023: Pavement subsystem	83.7	70

The pavement subsystem was assigned a numerical value based upon the scales as identified below. Each street segment has a total possible point value of 100. Once each segment had a total score, the City determined the condition of the street by segment, subdivision and as a whole based upon the street deficiency scale identified below.

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

Based on the pavement condition assessment update performed in FY 2025, as of June 30, 2025, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 83.8, or satisfactory.

The first year of implementation of the modified approach for street pavement was June 30, 2003. The following compares the actual street maintenance cost to the budgeted street maintenance costs over the last five years. Appropriations totaling \$4,833,211 have been budgeted for the fiscal year ending June 30, 2026, for maintenance/rehabilitation to maintain PCI standard.

CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)

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

	Street Maintenance Cost	Street Maintenance Budget
June 2025	\$ 4,274,235	\$ 6,201,774
June 2024	2,724,954	4,739,637
June 2023	3,286,185	4,001,705
June 2022	1,835,101	3,451,506
June 2021	1,456,332	2,428,205

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Budget development discussions are conducted at public workshops, and City Council study sessions and regular meetings, to obtain resident and business comments.
3. Prior to July 1, the budget is adopted by Council action at a public hearing.

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025 (CONTINUED)**

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING, (continued)

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

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

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Supplementary Schedules

Rancho Santa Margarita, California

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds and Debt Service Fund

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

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

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

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

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

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Special Revenue Funds			
	Gas Tax	Measure M	Air Quality Management District	Local Park Trust Fund
Assets				
Cash and investments	\$ 963,463	\$ 390,197	\$ 329,881	\$ 56,912
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	232,567	173,029	16,118	-
Interest receivable	7,674	7,222	1,934	344
Total assets	<u>\$ 1,203,704</u>	<u>\$ 570,448</u>	<u>\$ 347,933</u>	<u>\$ 57,256</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,112	\$ -	\$ -	\$ -
Total liabilities	<u>31,112</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for debt service	-	-	-	-
Restricted for public safety	-	-	-	-
Restricted for public works	<u>1,172,592</u>	<u>570,448</u>	<u>347,933</u>	<u>57,256</u>
Total fund balances	<u>1,172,592</u>	<u>570,448</u>	<u>347,933</u>	<u>57,256</u>
Total liabilities and fund balances	<u>\$ 1,203,704</u>	<u>\$ 570,448</u>	<u>\$ 347,933</u>	<u>\$ 57,256</u>

Special Revenue Funds			Debt Service Fund	
Supplemental Law Enforce- ment Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	Totals
\$ 407,876	\$ 572,346	\$ 938,735	\$ -	\$ 3,659,410
-	-	-	2,707	2,707
-	-	230,418	-	652,132
2,902	3,611	9,028	-	32,715
<u>\$ 410,778</u>	<u>\$ 575,957</u>	<u>\$ 1,178,181</u>	<u>\$ 2,707</u>	<u>\$ 4,346,964</u>
\$ 12,278	\$ -	\$ -	\$ -	\$ 43,390
<u>12,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,390</u>
-	-	-	2,707	2,707
398,500	-	-	-	398,500
<u>-</u>	<u>575,957</u>	<u>1,178,181</u>	<u>-</u>	<u>3,902,367</u>
<u>398,500</u>	<u>575,957</u>	<u>1,178,181</u>	<u>2,707</u>	<u>4,303,574</u>
<u>\$ 410,778</u>	<u>\$ 575,957</u>	<u>\$ 1,178,181</u>	<u>\$ 2,707</u>	<u>\$ 4,346,964</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, 2025**

	Special Revenue Funds			
	Gas Tax	Measure M	Air Quality Management District	Local Park Trust Fund
Revenues:				
Intergovernmental	\$ 1,342,750	\$ 973,641	\$ 61,720	\$ -
Investment income	50,227	51,341	13,904	2,546
Total revenues	<u>1,392,977</u>	<u>1,024,982</u>	<u>75,624</u>	<u>2,546</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	375,308	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>375,308</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,017,669</u>	<u>1,024,982</u>	<u>75,624</u>	<u>2,546</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(917,891)	(1,531,178)	(13,162)	-
Total financing sources (uses)	<u>(917,891)</u>	<u>(1,531,178)</u>	<u>(13,162)</u>	<u>-</u>
Net change in fund balances	99,778	(506,196)	62,462	2,546
Fund balances, beginning of year	<u>1,072,814</u>	<u>1,076,644</u>	<u>285,471</u>	<u>54,710</u>
Fund balances, end of year	<u>\$ 1,172,592</u>	<u>\$ 570,448</u>	<u>\$ 347,933</u>	<u>\$ 57,256</u>

Special Revenue Funds			Debt Service Fund	
Supplemental Law Enforcement Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	Totals
\$ 194,663	\$ -	\$ 1,307,557	\$ -	\$ 3,880,331
19,033	26,955	67,524	1,380	232,910
<u>213,696</u>	<u>26,955</u>	<u>1,375,081</u>	<u>1,380</u>	<u>4,113,241</u>
-	29,650	-	-	29,650
172,920	-	-	-	172,920
-	-	-	-	375,308
-	-	-	545,000	545,000
-	-	-	180,538	180,538
<u>172,920</u>	<u>29,650</u>	<u>-</u>	<u>725,538</u>	<u>1,303,416</u>
<u>40,776</u>	<u>(2,695)</u>	<u>1,375,081</u>	<u>(724,158)</u>	<u>2,809,825</u>
-	-	-	725,351	725,351
-	-	(1,160,693)	-	(3,622,924)
<u>-</u>	<u>-</u>	<u>(1,160,693)</u>	<u>725,351</u>	<u>(2,897,573)</u>
40,776	(2,695)	214,388	1,193	(87,748)
<u>357,724</u>	<u>578,652</u>	<u>963,793</u>	<u>1,514</u>	<u>4,391,322</u>
<u>\$ 398,500</u>	<u>\$ 575,957</u>	<u>\$ 1,178,181</u>	<u>\$ 2,707</u>	<u>\$ 4,303,574</u>

CITY OF RANCHO SANTA MARGARITA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (BUDGETARY COMPARISONS)

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

Special Revenue Funds

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

Debt Service Fund

- Debt Service

Capital Projects Fund

- Capital Projects

CITY OF RANCHO SANTA MARGARITA
GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,373,094	\$ 1,373,094	\$ 1,342,750	\$ (30,344)
Investment income	36,278	36,278	50,227	13,949
Total revenues	<u>1,409,372</u>	<u>1,409,372</u>	<u>1,392,977</u>	<u>(16,395)</u>
Expenditures:				
Public works - current	<u>396,000</u>	<u>396,000</u>	<u>375,308</u>	<u>20,692</u>
Total expenditures	<u>396,000</u>	<u>396,000</u>	<u>375,308</u>	<u>20,692</u>
Other financing sources (uses):				
Transfers out	<u>(1,985,095)</u>	<u>(1,985,095)</u>	<u>(917,891)</u>	<u>1,067,204</u>
Total financing sources (uses)	<u>(1,985,095)</u>	<u>(1,985,095)</u>	<u>(917,891)</u>	<u>1,067,204</u>
Net change in fund balances	(971,723)	(971,723)	99,778	1,071,501
Fund balances, beginning of year	<u>1,072,814</u>	<u>1,072,814</u>	<u>1,072,814</u>	<u>-</u>
Fund balances, end of year	<u>\$ 101,091</u>	<u>\$ 101,091</u>	<u>\$ 1,172,592</u>	<u>\$ 1,071,501</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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,056,102	\$ 1,056,102	\$ 973,641	\$ (82,461)
Investment income	24,497	24,497	51,341	26,844
Total revenues	<u>1,080,599</u>	<u>1,080,599</u>	<u>1,024,982</u>	<u>(55,617)</u>
Other financing sources (uses):				
Transfers out	<u>(1,782,110)</u>	<u>(1,782,110)</u>	<u>(1,531,178)</u>	<u>250,932</u>
Total financing sources (uses)	<u>(1,782,110)</u>	<u>(1,782,110)</u>	<u>(1,531,178)</u>	<u>250,932</u>
Net change in fund balances	(701,511)	(701,511)	(506,196)	195,315
Fund balances, beginning of year	<u>1,076,644</u>	<u>1,076,644</u>	<u>1,076,644</u>	<u>-</u>
Fund balances, end of year	<u>\$ 375,133</u>	<u>\$ 375,133</u>	<u>\$ 570,448</u>	<u>\$ 195,315</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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 61,720	\$ 1,720
Investment income	7,013	7,013	13,904	6,891
Total revenues	<u>67,013</u>	<u>67,013</u>	<u>75,624</u>	<u>8,611</u>
Other financing sources (uses):				
Transfers out	<u>(321,000)</u>	<u>(321,000)</u>	<u>(13,162)</u>	<u>307,838</u>
Total financing sources (uses)	<u>(321,000)</u>	<u>(321,000)</u>	<u>(13,162)</u>	<u>307,838</u>
Net change in fund balances	(253,987)	(253,987)	62,462	316,449
Fund balances, beginning of year	<u>285,471</u>	<u>285,471</u>	<u>285,471</u>	<u>-</u>
Fund balances, end of year	<u>\$ 31,484</u>	<u>\$ 31,484</u>	<u>\$ 347,933</u>	<u>\$ 316,449</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, 2025**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ 1,402	\$ 1,402	\$ 2,546	\$ 1,144
Total revenues	1,402	1,402	2,546	1,144
Other financing sources (uses):				
Transfers out	(55,000)	(55,000)	-	55,000
Total financing sources (uses)	(55,000)	(55,000)	-	55,000
Net change in fund balances	(53,598)	(53,598)	2,546	56,144
Fund balances, beginning of year	54,710	54,710	54,710	-
Fund balances, end of year	\$ 1,112	\$ 1,112	\$ 57,256	\$ 56,144

CITY OF RANCHO SANTA MARGARITA
SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<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	\$ 182,113	\$ 182,113	\$ 194,663	\$ 12,550
Investment income	9,631	9,631	19,033	9,402
Total revenues	<u>191,744</u>	<u>191,744</u>	<u>213,696</u>	<u>21,952</u>
Expenditures:				
Public safety - current	<u>160,572</u>	<u>160,572</u>	<u>172,920</u>	<u>(12,348)</u>
Total expenditures	<u>160,572</u>	<u>160,572</u>	<u>172,920</u>	<u>(12,348)</u>
Net change in fund balances	31,172	31,172	40,776	9,604
Fund balances, beginning of year	<u>357,724</u>	<u>357,724</u>	<u>357,724</u>	<u>-</u>
Fund balances, end of year	<u>\$ 388,896</u>	<u>\$ 388,896</u>	<u>\$ 398,500</u>	<u>\$ 9,604</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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ 15,615	\$ 15,615	\$ 26,955	\$ 11,340
Total revenues	15,615	15,615	26,955	11,340
Expenditures:				
General government	77,187	77,187	29,650	47,537
Total expenditures	77,187	77,187	29,650	47,537
Net change in fund balances	(61,572)	(61,572)	(2,695)	58,877
Fund balances, beginning of year	578,652	578,652	578,652	-
Fund balances, end of year	\$ 517,080	\$ 517,080	\$ 575,957	\$ 58,877

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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,185,311	\$ 1,185,311	\$ 1,307,557	\$ 122,246
Investment income	38,990	38,990	67,524	28,534
Total revenues	<u>1,224,301</u>	<u>1,224,301</u>	<u>1,375,081</u>	<u>150,780</u>
Other financing sources (uses):				
Transfers out	<u>(1,985,000)</u>	<u>(1,985,000)</u>	<u>(1,160,693)</u>	<u>824,307</u>
Total financing sources (uses)	<u>(1,985,000)</u>	<u>(1,985,000)</u>	<u>(1,160,693)</u>	<u>824,307</u>
Net change in fund balances	(760,699)	(760,699)	214,388	975,087
Fund balances, beginning of year	<u>963,793</u>	<u>963,793</u>	<u>963,793</u>	<u>-</u>
Fund balances, end of year	<u>\$ 203,094</u>	<u>\$ 203,094</u>	<u>\$ 1,178,181</u>	<u>\$ 975,087</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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 1,380	\$ 1,380
Total revenues	-	-	1,380	1,380
Expenditures:				
Debt Service:				
Principal retirement	545,000	545,000	545,000	-
Interest	180,538	180,538	180,538	-
Total expenditures	725,538	725,538	725,538	-
Other financing sources (uses):				
Transfers in	725,538	725,538	725,351	(187)
Total financing sources (uses)	725,538	725,538	725,351	(187)
Net change in fund balances	-	-	1,193	1,193
Fund balances, beginning of year	1,514	1,514	1,514	-
Fund balances, end of year	\$ 1,514	\$ 1,514	\$ 2,707	\$ 1,193

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, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 451,012	\$ 583,012	\$ 196,249	\$ (386,763)
Investment income	-	-	2,181	2,181
Total revenues	<u>451,012</u>	<u>583,012</u>	<u>198,430</u>	<u>(384,582)</u>
Expenditures:				
Public works	<u>8,360,000</u>	<u>9,062,000</u>	<u>5,241,215</u>	<u>3,820,785</u>
Total expenditures	<u>8,360,000</u>	<u>9,062,000</u>	<u>5,241,215</u>	<u>3,820,785</u>
Other financing sources (uses):				
Transfers in	<u>7,908,988</u>	<u>8,478,988</u>	<u>5,021,373</u>	<u>(3,457,615)</u>
Total financing sources (uses)	<u>7,908,988</u>	<u>8,478,988</u>	<u>5,021,373</u>	<u>(3,457,615)</u>
Net change in fund balances	-	-	(21,412)	(21,412)
Fund balances (deficit), beginning of year	<u>199,421</u>	<u>199,421</u>	<u>199,421</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 199,421</u>	<u>\$ 199,421</u>	<u>\$ 178,009</u>	<u>\$ (21,412)</u>

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Statistical Section

Rancho Santa Margarita, California

STATISTICAL SECTION

This section of the City of Rancho Santa Margarita's Annual Comprehensive 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 Annual Comprehensive Financial Report for the relevant year.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in				
Capital Assets	\$ 107,879,462	\$ 105,983,845	\$ 106,992,536	\$ 106,849,113
Restricted for:				
Public Safety	398,500	357,724	306,977	270,270
Public Works	3,902,367	4,032,084	3,104,545	3,706,353
Debt Service	-	-	-	-
Unrestricted	<u>30,470,514</u>	<u>31,650,131</u>	<u>28,034,586</u>	<u>25,745,815</u>
Total Governmental Activities				
Net Position	<u><u>\$ 142,650,843</u></u>	<u><u>\$ 142,023,784</u></u>	<u><u>\$ 138,438,644</u></u>	<u><u>\$ 136,571,551</u></u>
PRIMARY GOVERNMENT				
Net Investment in				
Capital Assets	\$ 107,879,462	\$ 105,983,845	\$ 106,992,536	\$ 106,849,113
Restricted for				
Public Safety	398,500	357,724	306,977	270,270
Public Works	3,902,367	4,032,084	3,104,545	3,706,353
Debt Service	30,470,514	-	-	-
Unrestricted	<u>-</u>	<u>31,650,131</u>	<u>28,034,586</u>	<u>25,745,815</u>
Total Primary Government				
Net Position	<u><u>\$ 142,650,843</u></u>	<u><u>\$ 142,023,784</u></u>	<u><u>\$ 138,438,644</u></u>	<u><u>\$ 136,571,551</u></u>

Source: City Finance Division, Annual Comprehensive Financial Report (2016-2025)

2021	2020	2019	2018	2017	2016
\$ 106,534,073	\$ 104,695,075	\$ 105,277,597	\$ 106,775,273	\$ 109,252,099	\$ 109,157,228
240,218	212,539	174,629	147,789	113,112	99,309
4,002,522	3,664,065	3,940,779	3,729,900	3,728,757	3,936,815
-	-	-	114	1,526,835	1,515,534
21,824,996	19,335,960	19,262,675	17,171,094	13,960,569	14,981,977
<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>	<u>\$ 128,581,372</u>	<u>\$ 129,690,863</u>

\$ 106,534,073	\$ 104,695,075	\$ 105,277,597	\$ 106,775,273	\$ 109,252,099	\$ 109,157,228
240,218	212,539	174,629	147,789	113,112	99,309
4,002,522	3,664,065	3,940,779	3,729,900	3,728,757	3,936,815
-	-	-	114	1,526,835	1,515,534
21,824,996	19,335,960	19,262,675	17,171,094	13,960,569	14,981,977
<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>	<u>\$ 128,581,372</u>	<u>\$ 129,690,863</u>

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
EXPENSES				
Governmental Activities:				
General Government	\$ 5,154,337	\$ 5,035,430	\$ 4,358,626	\$ 3,272,322
Building & Planning	988,903	1,527,260	1,047,587	1,548,912
Public Safety	12,795,596	11,747,607	10,957,916	10,471,622
Public Works	8,111,073	7,478,536	8,122,136	6,106,205
Capital Outlay	-	-	-	-
Principal Retirement	-	-	-	-
Interest Expense	173,444	194,977	215,709	235,709
Total Governmental Activities Expenses	<u>27,223,353</u>	<u>25,983,810</u>	<u>24,701,974</u>	<u>21,634,770</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	301,087	313,334	311,216	146,573
Building and Planning	896,571	872,200	927,060	856,765
Public Safety	243,490	297,217	181,480	211,402
Public Works	54,058	24,986	54,502	54,895
Operating Contributions and Grants	4,687,518	6,582,040	4,507,464	4,904,204
Capital Contributions and Grants	61,237	293,412	853,652	910,335
Total Governmental Activities Program Revenues	<u>6,243,961</u>	<u>8,383,189</u>	<u>6,835,374</u>	<u>7,084,174</u>
Total Net Revenues (Expenses)	<u><u>\$ (20,979,392)</u></u>	<u><u>\$ (17,600,621)</u></u>	<u><u>\$ (17,866,600)</u></u>	<u><u>\$ (14,550,596)</u></u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 9,442,368	\$ 9,023,387	\$ 8,657,981	\$ 8,147,963
Sales Taxes	8,394,203	8,483,197	8,374,788	8,498,568
Real Property Transfer Taxes	304,314	269,620	294,734	491,610
Unrestricted intergovernmental revenue	75,548	59,227	49,149	55,664
Franchise fees	1,635,692	1,682,515	1,655,107	1,520,928
Investment Income (loss)	1,673,518	1,621,216	635,831	(231,678)
Other	80,808	46,599	66,103	37,283
Total Governmental Activities	<u>21,606,451</u>	<u>21,185,761</u>	<u>19,733,693</u>	<u>18,520,338</u>
Changes in Net Position	<u><u>\$ 627,059</u></u>	<u><u>\$ 3,585,140</u></u>	<u><u>\$ 1,867,093</u></u>	<u><u>\$ 3,969,742</u></u>

Source: City Finance Division, Annual Comprehensive Financial Report (2016-2025)

2021	2020	2019	2018	2017	2016
\$ 3,302,713	\$ 4,143,355	\$ 4,042,811	\$ 4,391,682	\$ 2,700,266	\$ 3,421,649
1,322,446	1,158,233	1,211,945	1,136,247	1,090,593	1,169,254
10,197,832	10,080,372	9,776,922	9,513,766	9,644,961	7,572,663
5,529,289	7,175,142	6,159,832	5,978,125	6,162,890	4,718,605
-	-	-	-	925	-
-	-	-	-	967,536	-
255,002	273,645	291,511	308,581	325,176	341,109
20,607,282	22,830,747	21,483,021	21,328,401	20,892,347	17,223,280

3,878	246,938	426,030	476,159	424,862	431,449
750,545	650,298	673,447	744,275	660,136	786,225
218,946	216,076	169,305	138,224	142,914	163,463
60,665	79,086	66,913	42,663	83,792	59,890
4,289,475	3,996,755	3,128,799	3,262,849	3,114,256	2,545,411
2,364,376	74,394	162,896	12,927	-	-
7,687,885	5,263,547	4,627,390	4,677,097	4,425,960	3,986,438
\$ (12,919,397)	\$ (17,567,200)	\$ (16,855,631)	\$ (16,651,304)	\$ (16,466,387)	\$ (13,236,842)

\$ 7,946,855	\$ 7,683,778	\$ 7,436,398	\$ 7,110,720	\$ 6,746,586	\$ 6,534,986
7,713,518	6,729,367	7,109,635	6,658,452	6,669,064	6,809,341
433,781	289,637	262,145	355,744	362,285	333,339
35,787	38,750	23,678	25,583	-	-
1,381,407	1,379,572	1,436,938	1,368,975	1,380,895	1,499,296
50,640	516,497	571,340	284,016	147,992	103,995
51,579	181,558	847,007	126,795	50,074	237,769
17,613,567	16,819,159	17,687,141	15,930,285	15,356,896	15,518,726
\$ 4,694,170	\$ (748,041)	\$ 831,510	\$ (721,019)	\$ (1,109,491)	\$ 2,281,884

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
GENERAL FUND				
Nonspendable	\$ 19,519	\$ 10,548	\$ 13,601	\$ 12,718
Committed	30,000	30,000	98,349	30,000
Assigned	19,821,237	20,389,109	17,950,931	10,452,879
Unassigned	13,214,159	13,592,739	11,985,453	16,853,927
Total General Fund	<u>\$ 33,084,915</u>	<u>\$ 34,022,396</u>	<u>\$ 30,048,334</u>	<u>\$ 27,349,524</u>
ALL OTHER GOVERNMENTAL FUNDS				
Restricted for debt service	\$ 2,707	\$ 1,514	\$ 203	\$ 2
Restricted for public safety/public works	4,300,867	4,389,808	3,411,522	3,976,623
Assigned, Reported in:				
Capital Project Funds	178,009	199,421	173,546	-
Unassigned, Reported in:				
Capital Project Funds	-	-	-	(863)
CARES Fund	-	-	-	-
Total All Other Governmental Funds	<u>\$ 4,481,583</u>	<u>\$ 4,590,743</u>	<u>\$ 3,585,271</u>	<u>\$ 3,975,762</u>

Source: City Finance Division, HdL, Coren & Cone, Annual Comprehensive Financial Report (2016-2025)

2021	2020	2019	2018	2017	2016
\$ 9,749	\$ 11,807	\$ 6,582	\$ 250	\$ 2,665	\$ 2,821
45,220	50,004	240,059	434,499	788,647	1,460,181
9,374,355	8,512,921	8,761,323	7,769,118	7,524,985	9,300,558
14,459,065	12,790,146	11,614,014	10,510,122	9,237,888	8,859,349
<u>\$ 23,888,389</u>	<u>\$ 21,364,878</u>	<u>\$ 20,621,978</u>	<u>\$ 18,713,989</u>	<u>\$ 17,554,185</u>	<u>\$ 19,622,909</u>
\$ 779	\$ 816	\$ 541	\$ 114	\$ 1,526,835	\$ 1,515,534
4,242,741	3,876,604	4,115,408	3,877,689	3,841,869	4,036,124
-	-	204,157	192,816	3,621	204,377
(463,948)	(261,183)	-	-	-	-
-	(358,369)	-	-	-	-
<u>\$ 3,779,572</u>	<u>\$ 3,257,868</u>	<u>\$ 4,320,106</u>	<u>\$ 4,070,619</u>	<u>\$ 5,372,325</u>	<u>\$ 5,756,035</u>

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

	2025	2024	2023	2022
REVENUES				
Taxes	\$ 18,140,885	\$ 17,776,204	\$ 17,327,503	\$ 17,138,141
Fees & Permits	2,282,448	2,324,891	2,303,847	2,120,009
Intergovernmental	4,830,030	7,027,246	5,770,808	6,274,181
Charges for Services	502,390	477,769	561,303	381,813
Investment Income (loss)	1,673,518	1,621,216	635,831	(231,678)
Fines, forfeits and penalties	243,490	297,217	181,480	211,525
Other	80,808	46,599	66,103	37,283
Total Revenues	27,753,569	29,571,142	26,846,875	25,931,274
EXPENDITURES				
Current:				
General Government	4,878,421	4,637,117	4,093,940	3,651,227
Building and Planning	1,729,049	1,602,076	1,667,209	1,592,214
Public Safety	12,795,596	11,747,607	10,957,916	10,471,622
Public Works	8,671,606	5,877,871	7,091,954	5,826,447
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	545,000	525,000	505,000	490,000
Interest	180,538	201,937	222,537	242,438
Total Expenditures	28,800,210	24,591,608	24,538,556	22,273,948
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,046,641)	4,979,534	2,308,319	3,657,326
OTHER FINANCING SOURCES (USES)				
Transfers In	6,639,135	5,735,448	5,791,308	5,296,675
Transfers Out	(6,639,135)	(5,735,448)	(5,791,308)	(5,296,675)
Total Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(1,046,641)	4,979,534	2,308,319	3,657,326
Fund Balances, beginning of year	38,613,139	33,633,605	31,325,286	27,667,960
Fund Balances, end of year	\$ 37,566,498	\$ 38,613,139	\$ 33,633,605	\$ 31,325,286
DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES				
	2.89%	3.04%	3.21%	3.61%

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

Source: City Finance Division, Annual Comprehensive Financial Report (2016-2025)

2021	2020	2019	2018	2017	2016
\$ 16,094,154	\$ 14,702,782	\$ 14,808,178	\$ 14,124,916	\$ 13,756,201	\$ 13,657,845
1,926,093	1,768,147	1,832,117	2,156,495	2,557,778	2,196,437
6,654,963	3,746,966	3,401,017	3,297,047	2,255,652	2,421,752
187,134	484,508	673,648	691,596	747,230	747,093
50,640	516,496	571,339	284,016	147,992	103,995
218,946	216,076	169,305	138,224	142,914	163,463
51,579	181,558	847,007	126,795	50,074	237,769
<u>25,183,509</u>	<u>21,616,533</u>	<u>22,302,611</u>	<u>20,819,089</u>	<u>19,657,841</u>	<u>19,528,354</u>
2,961,244	3,799,036	3,807,473	3,965,491	3,725,068	3,522,990
1,441,307	1,142,984	1,203,090	1,132,872	1,078,723	1,150,918
10,197,832	10,080,372	9,776,922	9,513,766	9,644,961	7,565,851
6,806,316	6,178,342	4,545,469	4,765,369	5,825,294	4,508,164
-	-	-	-	132,355	162,907
470,000	455,000	514,343	1,268,655	1,372,536	385,000
261,596	280,138	297,838	314,838	331,338	347,137
<u>22,138,295</u>	<u>21,935,872</u>	<u>20,145,135</u>	<u>20,960,991</u>	<u>22,110,275</u>	<u>17,642,967</u>
<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>	<u>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>
3,155,585	4,618,477	3,467,646	4,785,289	4,509,192	3,306,078
<u>(3,155,585)</u>	<u>(4,618,477)</u>	<u>(3,467,646)</u>	<u>(4,785,289)</u>	<u>(4,509,192)</u>	<u>(3,306,078)</u>
-	-	-	-	-	-
<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>	<u>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>
<u>24,622,746</u>	<u>24,942,085</u>	<u>22,784,608</u>	<u>22,926,510</u>	<u>25,378,944</u>	<u>23,493,557</u>
<u>\$ 27,667,960</u>	<u>\$ 24,622,746</u>	<u>\$ 24,942,084</u>	<u>\$ 22,784,608</u>	<u>\$ 22,926,510</u>	<u>\$ 25,378,944</u>
3.88%	3.52%	4.12%	7.83%	8.43%	4.68%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Apparel Stores	*	\$ 9,329	\$ 9,439	\$ 9,558
General Merchandise	*	48,690	49,348	49,935
Food Stores	*	37,622	37,928	37,020
Eating & Drinking Places:	*	115,475	114,761	113,151
Building Materials	*	49,771	51,503	54,016
Auto Dealers & Supplies	*	239,885	247,324	235,569
Service Stations	*	60,019	61,372	76,104
Other Retail Stores	*	45,048	49,097	49,622
All Other Outlets	*	237,282	233,575	232,322
Total	<u>*</u>	<u>\$ 843,121</u>	<u>\$ 854,347</u>	<u>\$ 857,298</u>
City Direct Sales Tax Rate	7.75%	7.75%	7.75%	7.75%

*Data for fiscal year 2024-2025 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

2021	2020	2019	2018	2017	2016
\$ 10,429	\$ 7,175	\$ 9,306	\$ 9,406	\$ 9,559	\$ 9,789
49,409	45,864	52,333	55,233	55,115	56,266
35,753	37,775	33,224	32,783	32,031	30,292
104,384	80,946	89,902	87,860	84,799	80,362
54,492	56,395	52,344	51,234	52,316	48,524
205,430	160,883	168,302	172,104	166,244	147,301
73,760	44,568	56,547	53,504	46,999	43,453
54,944	49,286	56,722	65,026	66,534	71,033
220,516	79,122	86,370	90,430	77,980	91,816
<u>\$ 809,115</u>	<u>\$ 562,014</u>	<u>\$ 605,050</u>	<u>\$ 617,579</u>	<u>\$ 591,578</u>	<u>\$ 578,836</u>
7.75%	7.75%	7.75%	7.75%	7.75%	8.0%

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

Fiscal Year	Sales and Use Tax	Property Tax	Real Property Transfer	Total
2025	\$ 9,442,368	\$ 8,394,203	\$ 304,314	\$ 18,140,885
2024	8,483,197	9,023,387	269,620	17,776,204
2023	8,374,788	8,657,981	294,734	17,327,503
2022	8,498,568	8,147,963	491,610	17,138,141
2021	7,713,518	7,946,855	433,781	16,094,154
2020	6,729,367	7,683,778	289,637	14,702,782
2019	7,109,635	7,436,398	262,145	14,808,178
2018	6,658,452	7,110,720	355,744	14,124,916
2017	6,669,064	6,745,586	362,285	13,776,935
2016	6,809,341	6,534,986	333,339	13,677,666

Source: City Finance Division, Annual Comprehensive Financial Report (2016-2025)

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
2025	\$ 9,253,441,084	\$ 743,033,166	\$ 650,787,751	\$ 323,745,198	-	\$ 10,971,007,199	2.98%
2024	8,848,550,947	715,844,529	622,743,422	280,892,350	-	10,468,031,248	2.98%
2023	8,427,423,504	707,649,873	604,327,967	256,689,649	-	9,996,090,993	2.98%
2022	7,980,662,567	677,842,083	571,837,248	242,800,810	-	9,473,142,708	2.98%
2021	7,752,262,483	665,311,203	564,146,334	257,040,937	-	9,238,760,957	2.98%
2020	7,496,881,190	664,309,064	537,636,023	247,478,110	-	8,946,304,387	2.98%
2019	7,231,121,739	643,362,665	516,049,864	251,089,203	-	8,641,623,471	2.98%
2018	6,917,831,325	623,012,917	485,286,641	221,676,640	-	8,247,807,523	2.98%
2017	6,644,658,255	543,292,229	461,597,130	222,514,928	-	7,872,062,542	2.98%
2016	6,399,038,568	500,361,671	451,284,423	221,370,319	-	7,572,054,981	2.98%

(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	2024/25	2023/24	2022/23	2021/22
Basic Levy^{1,5}	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00446	0.00633	0.00691	0.00727
Metropolitan Water District	0.00700	0.00350	0.00350	0.00350
Metropolitan Water District Annex	0.00700	0.00350	0.00350	0.00350
Saddleback Valley Unified	0.02108	0.02037	0.02227	0.02200
Santa Margarita Water District	0.07220	0.07590	0.08140	0.08710
Total Direct & Overlapping² Tax Rates	1.11174	1.10960	1.11758	1.12337
 City's Share of 1% Levy Per Prop 13³	 0.02978	 0.02978	 0.02978	 0.02978
Total Direct Rate^{4,6}	0.02981	0.02987	0.02981	0.02979

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. The ERAF portion of the City's Levy has been subtracted where known.

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 2015/16 - 2024/25 Tax Rate Table

2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00756	0.00745	0.00786	0.00800	0.00843	0.00845
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.02336	0.02295	0.02392	0.02365	0.02688	0.03008
0.09390	0.61040	0.62470	0.85900	0.88660	1.18070
1.13182	1.64780	1.66348	1.89765	1.92891	2.22623
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978
0.02980	0.02976	0.02976	0.02978	0.02978	0.02978

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

Taxpayer	2024/25			2015/16		
	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank
Applied Medical Resources Corp	\$ 318,479,631	2.90%	1	\$ 213,094,014	2.81%	1
El Prado LLC	88,409,317	0.81%	2	75,037,574	0.99%	2
BEX Portfolio Inc*	77,737,261	0.71%	3	65,645,775	0.87%	3
Palm Deluxe Partners LP	64,327,144	0.59%	4	***		
Cox Communications CA Inc	46,956,310	0.43%	5	***		
Villa La Paz Partners LP	46,914,576	0.43%	6	39,583,052	0.52%	4
VR RSM	44,276,498	0.40%	7	***		
RSM Antonio Associates LLC	42,277,797	0.39%	8	***		
EQR-Skyview LP	41,212,670	0.38%	9	34,888,897	0.46%	6
CPI-GREP AA I Buena Vida Owner LLC	39,679,678	0.36%	10	***		
FG Rancho Santa Margarita LP	***			28,163,475	0.37%	7
KRC Santa Margarita**	***			26,535,892	0.35%	8
Antonio Acquisition Company	***			37,241,599	0.49%	5
Crescent LP	***			25,967,512	0.34%	9
Graham Properties LP	***			25,609,281	0.34%	10
Totals	<u>\$ 810,270,882</u>	<u>7.39%</u>		<u>\$ 571,767,071</u>	<u>7.55%</u>	

* Previously known as BRE Properties

**Previously known as KSL Santa Margarita Properties II LP

***Information not available

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
2025	\$ 3,174,764	\$ 3,108,942	97.93%	\$ 21,045	\$ 3,129,987	98.59%
2024	3,038,743	2,987,619	98.32%	19,570	\$ 3,007,189	98.96%
2023	2,902,554	2,855,229	98.37%	14,675	2,869,904	98.88%
2022	2,741,543	2,695,791	98.33%	19,618	2,715,409	99.05%
2021	2,679,349	2,639,033	98.50%	14,392	2,653,425	99.03%
2020	2,589,778	2,544,699	98.26%	16,230	2,560,929	98.89%
2019	2,500,759	2,455,671	98.20%	14,077	2,469,748	98.76%
2018	2,379,744	2,339,536	98.31%	13,463	2,352,999	98.88%
2017	2,252,964	2,217,196	98.41%	15,584	2,232,780	99.10%
2016	2,180,731	2,136,300	97.96%	15,343	2,151,643	98.67%

Source: O.C. Auditor-controller, City Finance Division, Annual Comprehensive Financial Report (2016-2025)

**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⁾
2025	\$ -	\$ 6,031,486	\$ -	\$ 6,031,486	0.20%	130.15
2024	-	6,603,719	-	6,603,719	0.22%	142.61
2023	-	7,155,952	-	7,155,952	0.27%	152.04
2022	-	7,688,186	-	7,688,186	0.29%	162.61
2021	-	8,205,420	-	8,205,420	0.31%	170.30
2020	-	8,702,654	-	8,702,654	0.35%	178.36
2019	-	9,184,886	-	9,184,886	0.40%	187.60
2018	-	9,642,120	-	9,642,120	0.44%	198.39
2017	-	10,089,353	-	10,089,353	0.46%	207.59
2016	-	10,521,587	-	10,521,587	0.50%	216.87

⁽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
2025	46,341	-	-	-	0.00%	-
2024	46,305	-	-	-	0.00%	-
2023	47,066	-	-	-	0.00%	-
2022	47,279	-	-	-	0.00%	-
2021	48,183	-	-	-	0.00%	-
2020	48,793	-	-	-	0.00%	-
2019	48,960	-	-	-	0.00%	-
2018	48,602	-	-	-	0.00%	-
2017	48,602	-	-	-	0.00%	-
2016	48,516	-	-	-	0.00%	-

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

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

Source: HdL Companies

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assessed Valuation	\$ 11,313,732,706	\$ 10,803,268,808	\$ 10,298,411,369	\$ 9,777,605,219
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,828,433,177	\$ 2,700,817,202	\$ 2,574,602,842	\$ 2,444,401,305
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 424,264,976	\$ 405,122,580	\$ 386,190,426	\$ 366,660,196
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 424,264,976</u>	<u>\$ 405,122,580</u>	<u>\$ 386,190,426</u>	<u>\$ 366,660,196</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

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 9,540,829,358	\$ 9,234,200,835	\$ 8,641,623,471	\$ 8,247,807,523	\$ 7,872,062,542	\$ 7,572,054,981
25%	25%	25%	25%	25%	25%
\$ 2,385,207,340	\$ 2,308,550,209	\$ 2,160,405,868	\$ 2,061,951,881	\$ 1,968,015,636	\$ 1,893,013,745
15%	15%	15%	15%	15%	15%
\$ 357,781,101	\$ 346,282,531	\$ 324,060,880	\$ 309,292,782	\$ 295,202,345	\$ 283,952,062
-	-	-	-	-	-
<u>\$ 357,781,101</u>	<u>\$ 346,282,531</u>	<u>\$ 324,060,880</u>	<u>\$ 309,292,782</u>	<u>\$ 295,202,345</u>	<u>\$ 283,952,062</u>
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
2025	46,341	\$ 3,002,466	\$ 64,790	\$ 146,827	40.3	8,660	3.70%
2024	46,305	2,959,213	63,906	150,146	40.1	9,262	3.20%
2023	47,066	2,696,946	57,301	135,350	39.7	9,267	2.90%
2022	47,279	2,607,727	55,156	125,329	39.2	7,423	2.80%
2021	48,183	2,622,350	54,424	121,017	38.5	7,060	7.20%
2020	48,793	2,499,062	51,247	104,092	37.6	6,644	2.50%
2019	48,960	2,317,882	47,342	106,939	37	5,814	2.70%
2018	48,602	2,200,245	45,270	104,556	36.8	5,450	1.90%
2017	48,602	2,182,109	44,897	105,328	36.7	6,019	2.30%
2016	48,516	2,085,270	42,981	104,952	35.8	5,814	2.60%

(1) Estimated for 2025

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	2025		2016	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Applied Medical	3,000	15.10%	1,304	4.16%
O'Connell Landscape	**		980	3.13%
Saddleback Valley School District	396	1.99%	606	1.93%
Lucas & Mercier Construction	**		553	1.77%
Control Components Inc. (CCI)	350	1.76%	200	0.64%
Target Corporation	**		247	0.79%
Car Sound Exhaust System, Inc.	**		150	0.48%
Capistrano Unified School District	124	0.62%	215	0.69%
PADI	200	1.01%	180	0.57%
Santa Margarita Catholic H.S.	271	1.36%	175	0.56%

**Information not available

Source: City Finance Division, Development Services

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

FUNCTION	Full-Time and Part-Time Employees as of June 30									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City Manager Full-Time	3.50	3.60	3.50	3.50	3.50	3.50	3.00	3.00	3.00	3.00
City Clerk Full-Time	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.80	2.80
Human Resources Full-Time	0.00	1.00	1.00	1.00	1.00	1.00	1.20	1.20	1.00	2.00
Finance Full-Time	4.60	4.60	4.60	4.60	3.80	3.80	3.80	3.80	3.80	3.80
Police Services Full-Time	-	-	-	-	-	-	-	-	-	1.00
Bldg./Planning Full-time	7.48	6.36	6.00	6.00	6.00	6.00	5.60	5.60	5.60	5.60
Engr./Pub. Works Full-Time	5.86	5.50	5.86	5.00	4.50	4.50	4.50	4.50	4.50	4.50
Comm. Services Full-Time	7.07	6.33	7.07	7.07	6.66	2.51	6.40	6.40	6.40	6.40
Total	<u>30.51</u>	<u>29.39</u>	<u>30.03</u>	<u>29.17</u>	<u>27.46</u>	<u>23.31</u>	<u>27.00</u>	<u>27.00</u>	<u>27.10</u>	<u>29.10</u>

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 2024-2025

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

FUNCTION	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
Civic Center Building	1	1	1	1	1	1	1	1	1	1
Police Services										
Support Vehicles	1	1	1	1	1	1	1	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (Miles)	99	99	99	99	99	99	99	99	99	99
Streetlights	159	159	159	159	159	159	159	159	159	159
Support Vehicles	3	2	2	2	2	2	2	1	1	1
Community Services										
Dog Park	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Splash Pad at Central Park	1	1	1	1	-	-	-	-	-	-

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

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

FUNCTION	2025	2024	2023	2022
General Government				
Financial Reports & Audits Completed	133	136	137	138
Checks/Wire Transfers	2,318	2,332	2,313	2,400
Police Services				
Physical Arrests	608	444	244	187
Parking Citations	2,357	963	1,413	1,415
Traffic Citations	5,859	4,473	2,085	2,068
Public Works				
Street Paving (miles)	6.9	7.84	4.3	9.78
Sidewalks replaced (sq. ft.)	4,680	4,300	8,257	3,644
Curb refurbished (linear feet)	16	39	4	40
Traffic signs replaced/installed	275	210	236	220
Pavement Condition Index (70 = min. acceptable)		84.1	83.7	83.2
Building and Planning				
Building Permits Issued	1,557	1,610	1,870	1,855
Building Inspections Completed	3,550	3,952	4,004	4,414
Plan Checks Performed	469	474	993	1,337
Community Services				
Recreational & Instructional Classes Offered	225	200	200	200
Senior Mobility Rides	1,400	2,800	2,637	350
Community Events Attendance	25,000	20,000	20,000	20,000
Community Magazine Publications	3	3	3	3

*Attendance and events at the Bell Tower Regional Community Center was substantially reduced as a result of the Covid-19 shutdown and restrictions.

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

2021*	2020	2019	2018	2017	2016
141	132	121	220	109	111
2,407	2,396	2,576	2,535	1,654	1,482
165	202	292	326	327	282
1,320	1,261	1,601	1,689	1,722	1,502
1,366	1,590	1,951	188	143	136
8.50	11.63	11.05	26.53	8.44	8.07
5,235	5,050	7,513	270	7,225	6,358
73	33	42	21	300	24,953
460	216	459	571	353	322
83.8	85.4	83.2	82.5	78.6	81.6
1,675	1,396	1,499	1,572	1,538	1,671
4,031	3,361	3,641	3,432	3,048	3,422
1,023	817	193	285	337	413
100	500	825	825	825	825
325	417	782	335	300	990
200	20,000	20,000	21,000	20,000	19,000
-	2	3	3	3	3

City of Rancho Santa Margarita
Miscellaneous Statistics
June 30, 2025

Geographic Location:	The City of Rancho Santa Margarita is located 58 miles south east of Los Angeles and 450 miles south of San Francisco.
Population:	46,341
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	24
Public Safety:	
Police Department	Under contract with the Orange County Sheriff's Department
Fire Department	Under contract with the Orange County Fire Authority
Library	One branch, Orange County Public Library System
Recreation:	21 Privately owned and operated parks 1 County owned and operated park 2 Privately owned golf courses
Schools:	
Elementary Schools	11
Middle Schools	2
High Schools	1
Master Home Owners' Associations	7
Miles of Streets	99.5 miles
Number of Streetlights	159
Source:	City Finance Division

City of Rancho Santa Margarita

California