

City of  
Rancho Santa Margarita  
California



For the Year Ended  
June 30, 2014

Comprehensive Annual  
Financial Report

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

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Finance Division

City of Rancho Santa Margarita, California

# City Council



CAROL A. GAMBLE  
Mayor



BRADLEY MCGIRR  
Mayor Pro Tempore



STEVEN BARIC  
Council Member



L. ANTHONY BEALL  
Council Member



JESSE PETRILLA  
Council Member

**City of Rancho Santa Margarita, California**

**CITY OF RANCHO SANTA MARGARITA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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# Introductory Section

City of Rancho Santa Margarita, California



## CITY OF RANCHO SANTA MARGARITA

**Mayor**  
Carol A. Gamble

**Mayor Pro Tempore**  
Bradley J. McGirr

**Council Members**  
Steven Baric  
L. Anthony Beall  
Jesse Petrilla

**City Manager**  
Jennifer M. Cervantez

December 11, 2014

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

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

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

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

The City added infrastructure capitalization in fiscal year 2002. In fiscal year 2003, the City implemented the modified approach for its pavement subsystem, which allows those infrastructure assets to be *non-depreciable*, while establishing a commitment from the City to maintain these infrastructure assets at a minimum acceptable level of condition.

In fiscal years 2004, 2007, 2008, 2010, 2012 and 2014 the City performed a condition assessment of the pavement subsystem, which is required every two years for Measure M transportation funding eligibility and every three years for financial reporting purposes, and affirmed that these infrastructure assets are above the condition level established by the government. In fiscal year ended June 30, 2013, the City implemented GASB No. 63 and No. 65; however, no new GASB standards were applicable to the City for the Comprehensive Annual Financial Report for fiscal year ended June 30, 2014. The City of Rancho Santa Margarita is proud to be on the leading edge of local governmental financial reporting.

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

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

**Attachment    Content**

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

The Comprehensive Annual Financial Report of the City of Rancho Santa Margarita for the fiscal year ended June 30, 2014 is hereby presented. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

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

Respectfully submitted,

  
Jennifer M. Cervantez  
City Manager

## ATTACHMENT A

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

Rancho Santa Margarita is located 58 miles south-east of Los Angeles. The City is distinguished by its high-end residential neighborhoods and small-town charm. In Fiscal Year 2014, sales, motor vehicle in-lieu, and property taxes make up approximately 81% of the City's general revenues.

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

For the fiscal year ended June 30, 2014, the City continued on a steady course as the economy recovers. The City Council's adopted budget funded all services by utilizing operating revenues. At year end, actual General Fund revenues exceeded expenditures by \$773,541. That net surplus for the City's General Fund was \$1,404,543, or 223%, greater than the original budgeted deficit estimate of (\$631,002). The FY 2013/14 budget assumed the use of reserve funds for the Habitat Restoration Project. However, the project was delayed and did not begin until the end of the fiscal year, therefore, not requiring the use of reserve funds as of June 30, 2014. General Fund operating expenditures were also reduced approximately \$779,373 from budgeted amounts through cost cutting measures without affecting core City service levels to residents and businesses.

Revenues for Fiscal Year 2014 increased over budget estimates by approximately \$25,170, or .002%. Increased property tax revenue contributed \$172,621, while sales tax revenues reflected a decrease of \$53,216 compared to budget estimates. The City showed decreases in fines, forfeits and penalties and charges for services, however, recorded increased revenues in areas such as building permit fees and planning and recycling deposits when compared to budget. The City did not record any large one-time only revenues as they had done in the prior fiscal year. Although there were many variances between the revenue line items, the City came in slightly above budget.

Sales tax revenues were the City's largest revenue source at \$6,022,595 or 40% of general fund revenue for the fiscal year ended June 30, 2014. Motor vehicle fees and in-lieu taxes of \$3,773,829 made up the City's second largest revenue source at 25% of general revenues. Property taxes of \$2,129,782 accounted for 14% of general revenues.

The City expects sales tax revenue, which increased during Fiscal Year 2014 from the prior year, to continue a slow-to-moderate-growth trend, as consumer and business spending for goods and services stabilizes. The City's outlook for current year property tax revenue looks promising as the assessed property values increased between 2013/14 and 2014/15. Current information presents a brighter outlook on the economic recovery stating that home values are rising, credit conditions are improving and household spending is strengthening. Although, certain data points to improving general economic conditions, the City remains cautious as it steadily moves forward in these uncertain times.

## **ATTACHMENT B**

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

#### **Land Settlement**

The City settled a multi-year dispute with Orange County over land transfers from the City's incorporation in 2000. As part of the settlement, the City transferred to the County an environmentally significant 15 acre parcel of land it purchased in 2009. In return, along with other settlement transactions, the County conveyed 92 acres of land to the City that may be developable and economically useful. As a result of the settlement, the City will have the opportunity to develop one of the largest sports parks in South Orange County. Also, the City is required to restore and enhance at least 80 acres of other land to native habitat conditions. The settlement was finalized and recorded in Fiscal Year 2010, and the City has contracted with Habitat Restoration Sciences, Inc. The Restoration Plan's development and maintenance of the 82.9 acre Upper Oso Habitat Restoration Project has been scheduled to take place over the next seven years.

#### **Public Safety**

Using the most recent crime statistics (2013) reported on the Federal Bureau of Investigation (FBI) Uniform Crime Report website, Rancho Santa Margarita continues to excel in public safety. This is the third consecutive year that Rancho Santa Margarita is ranked as the #1 safest city in Orange County and the thirteenth consecutive year to be ranked as one of the safest cities in the state of California with a population greater than 20,000.

#### **Public Works Improvements**

Major projects included slurry seal located within various residential tracts bordering Antonio Parkway, State Route 241 and O'Neill Regional Park and another on Antonio Parkway between Coto de Caza to Empresa (\$388,418) as well as annual residential overlays totaling \$220,973. The City also completed pavement rehabilitation on Santa Margarita Parkway at a cost of \$417,653 and began the restoration of the 82.9 acre Upper Oso Habitat Restoration Project with an initial cost of \$168,357. Federal Community Development Block Grant (CDBG) funds were used for median ADA Improvements at a cost of \$132,241.

#### **Community Services Programs**

Beginning in fiscal year 2002, the City's Community Services Division has hosted an annual New Year's Eve event with great success. This event has been held each New Year's Eve since then, and is planned for December 31, 2014, which will also be the City's fifteenth anniversary. This fiscal year the City continued to provide concerts in the park during the summer months, with the eighth annual series being received with great success. Community Services staff has continued adding programs and activities at the Bell Tower Regional Community Center since assuming operations of the facility from a community foundation in July 2008. The City continues to collaborate with community partner tenants who provide youth, teen and senior services programs in the City-owned Center and seeks expand opportunities for community participation and utilization in the Center for the foreseeable future.

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

### **Housing Element Update**

The California Government Code requires all cities and counties to adopt a comprehensive, long-term general plan for the physical development of the county or city. The City of Rancho Santa Margarita adopted its General Plan in December 2002. The State has identified seven mandated elements for all general plans: land use, circulation, housing, conservation, open space, noise and safety. Of the required elements, only one, the housing element, must be reviewed by the State Housing and Community Development Department (HCD). In 2002, State HCD certified the City's General Plan Housing Element. State Law also requires that all housing elements be updated every eight years, subject to the schedule of periodic housing needs review established by the State. The City adopted its Updated Housing Element on September 25, 2013, which the State certified on October 17, 2013.

### **Tesoro Trails Townhome Development**

The 66-unit Tesoro Trails Townhome development has been completed. This property was formerly occupied by a private Jewish elementary school. Park fees were collected on this development by the City as building permits were issued. In FY 2013/14 park fees were collected in the amount of \$586,797. Park fees are considered restricted funds collected for park improvements in conjunction with city-approved park implementation programs.

## ATTACHMENT C

### ***OTHER INFORMATION***

#### **Records Management**

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

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

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

#### **Independent Audit**

The annual independent audit of the City's financial statements was conducted following the June 30<sup>th</sup> end of the fiscal year. The accounting firm of White Nelson Diehl Evans LLP was contracted by the City Council to perform the annual audit. As part of the City's annual audit, detailed examinations were made of the City's financial records and reports to verify their accuracy as well as to determine that the City has complied with applicable laws and regulations. In addition, procedures were performed to determine the adequacy of the internal control structure; however, because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. The results of the City's annual audit for the fiscal year ended June 30, 2014, revealed no instances of material weaknesses or significant deficiencies in the internal control structure, or violations of applicable laws and regulations. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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

### **Interim Budgetary Review**

Additionally, the City maintains budgetary controls. The objective of the budgetary controls is to reasonably ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The annual budgets for both Fiscal Year 2014 and 2015 were adopted by the City Council at a public hearing, following several budget development study sessions. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The City also maintains an encumbrance accounting system as one method of accomplishing internal budgetary control. Additionally, the City Council has requested and received interim updates of budgetary performance and variance analysis. The updates are intended to provide additional support for staff to monitor and adjust budgeted revenues and expenditures based on comparisons to current and historical activity, and to aid City Council discussions and decisions regarding the City's budget.

### **Reserves Policy**

A continuing priority of the City Council has been to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses, by adopting a policy regarding the City's accumulated net resources called fund balance. The City Council completed an annual review of the City's Reserves Policy and adopted to designate \$8,170,086 to several categories of available fund balance. Classifications essentially reflect a government's self-imposed limitations on the use of otherwise available current financial resources. The classification categories are: Council Strategic, Technology, Facilities, Vehicles, and Infrastructure and Emergency. The City Council has not established a minimum amount to be maintained in any of the classification categories.

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

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

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

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Santa Margarita for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. This is the thirteenth 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, 2014.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Rancho Santa Margarita  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

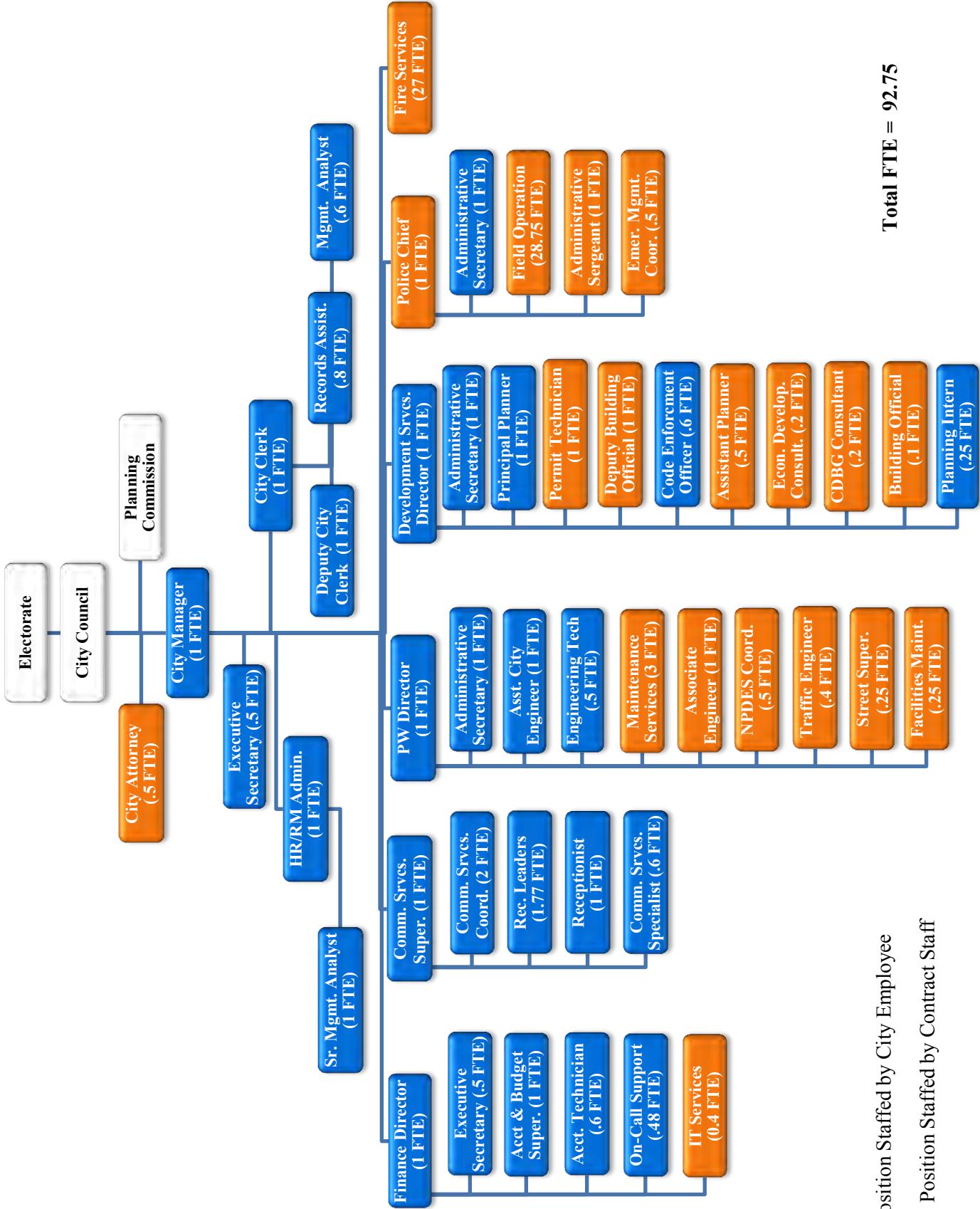
**June 30, 2013**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Evans'.

Executive Director/CEO

## City of Rancho Santa Margarita

## ORGANIZATION CHART BY CITY EMPLOYEES & CONTRACT STAFF



Blue = Position Staffed by City Employee

Orange = Position Staffed by Contract Staff

Total FTE = 92.75

# City of Rancho Santa Margarita

## LIST OF PRINCIPAL OFFICIALS

## Council – Manager Form of Government

## CITY COUNCIL

CAROL A. GAMBLE  
Mayor

BRADLEY MCGIRR  
Mayor Pro Tempore

STEVEN BARIC  
Council Member

L. ANTHONY BEALL  
Council Member

JESSE PETRILLA  
Council Member

## CITY ADMINISTRATION

Jennifer Cervantez  
City Manager/City Treasurer

Stefanie Turner/Finance Director  
Kathleen Haton, Planning/Community Development Director  
Greg Simonian, City Attorney  
Pat Healy, Interim City Clerk  
Lieutenant Ron Kennedy, Chief of Police Services  
Wendi Redington, Community Services Supervisor  
E. (Max) Maximous, City Engineer/Public Works Director

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# Financial Section

FINANCIAL SECTION

*City of Rancho Santa Margarita, California*

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters:**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the other post employment benefits schedule of funding progress, and the budgetary comparison schedule, and the information on the modified approach for infrastructure contained in Note 1 to required supplementary information, listed in the table of contents as required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis, the other post employment benefits schedule of funding progress, and the information on the modified approach for infrastructure contained in Note 1 to 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis, the other post employment benefits schedule of funding progress, and the information on the modified approach for infrastructure contained in Note 1 to required supplementary information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule 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 of the City 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 budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual fund schedules and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued):**

### *Other Information (Continued)*

The combining statements and individual fund schedules, as listed in the table of contents, 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 statements and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

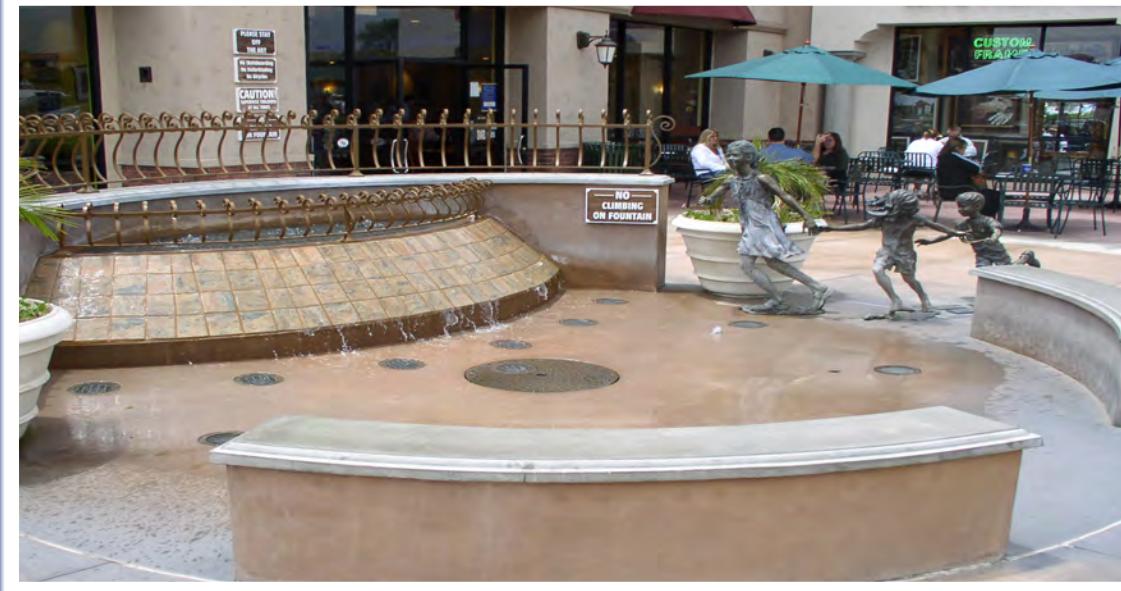
In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California

December 11, 2014

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# Management's Discussion & Analysis

City of Rancho Santa Margarita, California

## **CITY OF RANCHO SANTA MARGARITA MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Rancho Santa Margarita, California (City), we offer readers of the City of Rancho Santa Margarita's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ended June 30, 2014. 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 of the City exceeded its liabilities, at June 30, 2014, by \$128.7 million (*net position*). Of this amount, \$14.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$6.2 million of net position for specific City programs. Investment in capital assets totals \$108.4 million.
- The government's total net position decreased by \$0.2 million during the fiscal year ended June 30, 2014. Revenues decreased by \$0.6 million. The "Other" revenue decreased by \$0.5 million since major one time revenues received in the prior fiscal year were not repeated in Fiscal Year ended June 30, 2014. Sales tax revenue increased \$0.2 million; charges for services decreased \$0.2 million; while other revenue sources showed minimal change. The net decrease from the prior year in total government expenses, due to capital projects spending fluctuations, decreased by \$0.3 million.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$23.7 million, an increase of \$1.6 million in comparison with the prior year. Approximately 35.4 percent, or \$8.4 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 64.6 percent, or \$15.3 million is available for other spending purposes at the City Council's discretion (*assigned, unassigned fund balance*).
- At June 30, 2014, the City's General Fund totaled \$16.9 million. Of the total fund balance, \$1.7 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$8.2 million and unassigned fund balance of \$7.0 million. This portion of General Fund totaled \$15.2 million which equaled 106 percent of total General Fund expenditures for the fiscal year ended June 30, 2014. Although available, the City Council has classified this \$15.2 million for specific purposes, including emergencies.
- The City's total long-term liabilities decreased by \$0.42 million (2.9 percent) during the current fiscal year. This decrease reflects payment made for principal retirement on Lease Revenue Refunding Bonds in October 2013.

See Independent Auditors' Report

## Overview of the Financial Statements

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

### Government-wide Financial Statements

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

The *statement of net 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.

See Independent Auditors' Report

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

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

The City maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, the Capital Projects Fund, and the Debt Service 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.

See Independent Auditors' Report

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 major 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 (84 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 is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

See Independent Auditors' Report

**City of Rancho Santa Margarita**  
**Statement of Net Position**  
As of June 30, 2014 and 2013  
(in thousands)

	<b>Governmental Activities</b>	
	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Current and other assets	\$ 25,057	\$ 24,638
Capital assets	<u>118,198</u>	<u>119,898</u>
Total assets	<u>143,255</u>	<u>144,536</u>
 <b>Deferred Outflows of Resources:</b>	 464	 487
 <b>Liabilities:</b>		
Long-term liabilities	13,617	14,035
Other liabilities	<u>1,425</u>	<u>2,107</u>
Total liabilities	<u>15,042</u>	<u>16,142</u>
 <b>Net Position:</b>		
Net investment in capital assets	108,436	111,018
Restricted	6,176	5,482
Unrestricted	14,065	12,381
Total net position	<u>\$ 128,677</u>	<u>\$ 128,881</u>

During the fiscal year ended June 30, 2014, net position of the City decreased 0.16 percent to \$128,677 million, of which \$108.4 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$6.2 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$14.1 million, an increase of 13.6 percent from the prior year total of \$12.4 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.

See Independent Auditors' Report

**City of Rancho Santa Margarita**  
**Statement of Changes in Net Position**  
For the Years Ended June 30, 2014 and 2013  
(in thousands)

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 1,197	\$ 1,436
Operating grants and contributions	3,402	3,560
General revenues:		
Property taxes	2,130	2,043
Sales taxes	6,023	5,828
Fees and intergovernmental	5,508	5,426
Other revenues	45	573
Investment revenue	59	51
Total revenues	<u>18,364</u>	<u>18,917</u>
<b>Expenses</b>		
General government	3,867	3,889
Building and planning	1,057	1,100
Public safety	7,756	7,575
Public works	5,523	5,725
Interest expense	365	329
Bond issuance costs	-	236
Total expenses	<u>18,568</u>	<u>18,854</u>
Excess (deficit) of revenues over expenses	<u>(204)</u>	<u>63</u>
<b>Increase (Decrease) in net position</b>	<b>(204)</b>	<b>63</b>
Beginning net position	<u>128,881</u>	<u>128,818</u>
Ending net position	<u>\$ 128,677</u>	<u>\$ 128,881</u>

See Independent Auditors' Report

Overall, Citywide revenues for the fiscal year ended June 30, 2014 decreased by \$0.55 million a 2.9 percent decrease over the prior year. Sales tax revenue increased by \$0.20 million, while one time other revenue decreased by \$0.53 million and charges for services decreased by \$0.24 million.

- Total program revenues of \$4.6 million were 25 percent of total revenues.
- Total general revenues of \$13.8 million were 75 percent of total revenues.

Total related expenses decreased by \$0.29 million, a 1.5 percent decrease from the prior year. Public Works expenditures, which account for 29 percent of the total expenditures, were used primarily for slurry seal and overlay projects throughout the City. Public Safety expenditures accounted for 42 percent of total current expenditures. Expenditure decreases reflect decreased building activities, both public and private, within the city.

## **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, 2014, the City's governmental funds reported total combined ending fund balances of \$23.69 million, an increase of \$1.64 million from the prior year. Approximately 35 percent of the City's governmental funds ending fund balances, or \$8.25 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 29 percent of the City's governmental funds ending fund balances, or \$7.04 million, constitutes *unassigned fund balance* which is available for spending at the government's direction. *Restricted fund balance* of \$6.18 million, or 26 percent is available to: 1) pay debt service (\$2.36 million) and 2) use for specific purposes as required by special revenue funds (\$3.82 million). The remainder of fund balance, \$2.22 million, is *committed* to indicate that it is not available for new spending, because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period (\$2.19 million), 2) a reserve for self-insurance deductible liability (\$0.03 million).

### **General Fund Financial Highlights**

The general fund is the chief operating fund of the City. At June 30, 2014, assigned fund balance was \$8.17 million and unassigned fund balance of the general fund was \$7.04 million, while total fund balance was \$16.91 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 49 percent of the total General Fund expenditures. As mentioned above, however, the City Council has classified the assigned fund balance \$8.17 million for specified purposes.

See Independent Auditors' Report

**City of Rancho Santa Margarita**  
**Summary of Changes in Fund Balances - General Fund**  
For the Year Ended June 30, 2014 and 2013  
(in thousands)

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Taxes	\$ 8,437	\$ 8,142
Fees and permits	1,808	1,855
Intergovernmental	3,995	4,016
Charges for service	666	806
Investment income	41	39
Fines, forfeits and penalties	173	195
Other	45	1,244
<b>Total revenues</b>	<u>15,165</u>	<u>16,297</u>
<b>Expenditures</b>		
General government	3,820	3,858
Building and planning	1,048	1,096
Public safety	7,650	7,453
Public works	1,764	1,865
Capital outlay	12	29
<b>Total expenditures</b>	<u>14,294</u>	<u>14,301</u>
(Deficit) of revenues over expenditures	871	1,996
Net transfers	<u>(98)</u>	<u>(1,764)</u>
<b>Increase in Fund Balance</b>	<u><u>\$ 773</u></u>	<u><u>\$ 232</u></u>

For the fiscal year ended June 30, 2014, the cash and investments balance in the General Fund was \$16.55 million, an increase of \$0.37 million from the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2014 decreased by \$1.13 million, or 7 percent, below 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 \$0.09 million, to \$2.13 million, due to increases in assessed valuations.

See Independent Auditors' Report

- Sales tax revenues increased \$0.20 million, to \$6.02 million, due to the effects of increased general consumer spending and auto sales.
- Other revenue decreased by \$1.2 million, to \$.05 million, mostly due to non-recurring FY 2012/13 one-time only revenues of \$.9 million.

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2014:

- General government expenditures remained relatively consistent at \$3.82 million to the prior year expenditures.
- Public safety expenditures increased by \$0.20 million to \$7.65 million, due to increased contract costs associated with police services provided by the Orange County Sheriff's Department. Public safety expenditures were 54 percent of total General Fund expenditures.
- Public works expenditures decreased by \$0.10 million, to \$1.76 million, with the primary decrease being related to reduced cost for storm water and professional service contract costs.
- Building and planning expenditures decreased by \$0.05 million, to \$1.04 million, reflecting a slight decline in building and development activity within the city.

### **General Fund Budgetary Highlights**

Differences between the General Fund expenditures and the final amended budget were \$1.38 million and can be briefly summarized as follows:

- \$0.82 million in various decreases in general government activities.
- \$0.31 million in decreases allocated to public safety activities.
- \$0.25 million in decreases for public works.

These overall decreases can be attributed to the conservative spending maintained through the fiscal year as well as the conservative budgeting of anticipated revenues for the year.

The original general fund budget was amended to increase general fund expenditures by \$.23 million. This increase was a budget amendment for legal professional services – special counsel due to unanticipated legal expenditures regarding a requested zone change.

### **Other Major Funds Budgetary Highlights: Capital Projects Fund**

The Capital Projects Fund accounts for street, bridge, traffic signal and other circulation related capital projects funded by grants, fees and interest revenue. The actual fund balance increased \$0.17 million. Expenditures of \$1.79 million were \$3.38 million less than budgeted for the year. This decrease was due to actual savings on road resurface projects and projects that were rescheduled for fiscal year 2014/15. The fund balance is \$0.60 million of which \$0.08 million is assigned for future capital project expenditures.

See Independent Auditors' Report

## Capital Asset and Debt Administration

### Capital Assets

The City's net capital assets for its governmental activities, as of June 30, 2014, amounts to \$118.19 million. The net capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's net capital assets for the current fiscal year was 1.4 percent.

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

	Balance		Balance	
	June 30, 2013	Increases	Decreases	June 30, 2014
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,514	\$ 170	\$ -	\$ 6,684
Land - right of way	43,740	-	170	43,570
Construction in Progress	169	134	66	237
Infrastructure - pavement	46,767	-	-	46,767
Total capital assets not being depreciated	<u>97,190</u>	<u>304</u>	<u>236</u>	<u>97,258</u>
Capital assets, being depreciated:				
Machinery and equipment	512	11	-	523
Buildings	16,619	-	-	16,619
Parks	906	-	-	906
Infrastructure	62,189	67	-	62,256
Total capital assets being depreciated	<u>80,226</u>	<u>78</u>	<u>-</u>	<u>80,304</u>
Less accumulated depreciation for:				
Machinery and equipment	465	25	-	490
Buildings	4,986	554	-	5,540
Parks	289	36	-	325
Infrastructure	51,778	1,231	-	53,009
Total accumulated depreciation	<u>57,518</u>	<u>1,846</u>	<u>-</u>	<u>59,364</u>
Total capital assets, being depreciated, net	<u>22,708</u>	<u>(1,768)</u>	<u>-</u>	<u>20,940</u>
Governmental activities capital assets, net	<u>\$ 119,898</u>	<u>\$ (1,464)</u>	<u>\$ 236</u>	<u>\$ 118,198</u>

See Independent Auditors' Report

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

- Additions to construction in progress were \$0.07 million which included the design work for projects to be completed in future years for various street, traffic, and bridge improvements.
- Infrastructure additions for the year totaled \$0.07 million related to the completion of the traffic signal battery backup and crosswalk bulb-out projects.
- Machinery and Equipment acquisitions of \$0.01 million included an addition to the City's phone system.
- The City reclassified a remnant parcel of land at book value of \$0.17 million.

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

The City elected to use the modified approach in reporting its pavement subsystem. Under the modified approach, infrastructure assets that are part of a network or a subsystem of a network are not required to be depreciated as long as two requirements are met. First, the government shall manage the eligible infrastructure assets using an asset management system and secondly, the government shall document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. The City Council accepted the findings of the Pavement Condition Assessment Update in Fiscal Year 2014 and adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. The assessed PCI was an average of 81.5, or very good. This average PCI was maintained since the last update in 2013. Actual expenses for pavement condition maintenance were less than budgeted amounts due to conservative cost estimates.

### **Long-term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$11.331 million. The remaining balance of the mitigation obligation to the County of Orange at the end of the current fiscal year was \$1.90 million.

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

	<b>Balance</b> <b>June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b> <b>June 30, 2014</b>	<b>Long-Term</b>	<b>Due Within One Year</b>
<b>Mitigation Obligation</b>	\$ 1,901	\$ -	\$ -	\$ 1,901	\$ 1,901	\$ -
<b>Lease Revenue</b>						
<b>Refunding Bonds</b>	11,788	-	457	11,331	10,961	370
<b>Compensated Absences</b>	211	183	183	211	116	95
<b>OPEB Obligation</b>	135	43	4	174	174	-
<b>Long-Term Liabilities Total</b>	\$ 14,035	\$ 226	\$ 644	\$ 13,617	\$ 13,152	\$ 465

See Independent Auditors' Report

Long-term debt-related events during the fiscal year ended June 30, 2014 included:

- Compensated absences liabilities remained at \$0.21 million and usage by employees amounted to \$0.18 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2014 totaled \$0.61 million.
- Other post-employment benefit obligations, (OPEB) increased by \$0.04 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. However, because the City is still maturing, its local economy can experience departures from other local, state or national trends with resultant recurring revenue fluctuations. Additionally, because the City's revenues are obtained from a limited number of sources, further revenue fluctuations may occur from year to year. The City uses the "Orange County Economic Forecast" prepared by Chapman University's Center for Economic Research as an information source for review of economic trends, in developing its budget model. Other data sources used by the City include UCLA Anderson School of Management and California State University Fullerton – Institute for Economic and Environmental Studies. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation, can be obtained from the City's 2014-2015 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.

See Independent Auditors' Report



# Government-Wide Financial Statements

City of Rancho Santa Margarita, California

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

### THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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

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

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

**CITY OF RANCHO SANTA MARGARITA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Governmental Activities</b>
Assets:	
Cash and investments (note 2)	\$ 21,240,880
Cash and investments with fiscal agent (note 2)	2,356,003
Receivables:	
Due from other governments	1,120,135
Accrued interest	10,381
Accounts, net	323,565
Prepaid items	6,524
Non-depreciable capital assets (note 4)	97,258,245
Capital assets, depreciated , net (note 4)	20,940,217
Total assets	<u>143,255,950</u>
Deferred Outflows of Resources:	
Deferred amount on refunding	<u>463,567</u>
Total deferred outflows of resources	<u>463,567</u>
Liabilities:	
Accounts payable	983,482
Wages payable	93,840
Unearned revenue (note 10)	53,025
Retentions payable	62,523
Deposits	171,132
Interest payable	60,990
Long-term liabilities (note 5):	
Due within one year	464,799
Due in more than one year	<u>13,152,065</u>
Total liabilities	<u>15,041,856</u>
Net position:	
Net investment in capital assets	108,436,257
Restricted for:	
Public safety	115,371
Public works	3,703,419
Debt service	2,357,303
Unrestricted	<u>14,065,311</u>
Total net position	<u>\$ 128,677,661</u>

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

**CITY OF RANCHO SANTA MARGARITA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Program Revenues</b>					<b>Net Governmental Activities</b>
	<b>Charges for Services</b>	<b>Operating Contributions and Grants</b>	<b>Capital Contributions and Grants</b>			
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government	\$ 3,867,419	\$ 370,213	\$ (326,326)	\$ -	\$ (3,823,532)	
Building and planning	1,056,954	603,515	741,061	-	287,622	
Public safety	7,756,218	173,246	120,085	-	(7,462,887)	
Public works	5,523,014	50,058	2,867,715	-	(2,605,241)	
Interest expense	365,344	-	-	-	(365,344)	
<b>Total governmental activities</b>	<b><u>\$ 18,568,949</u></b>	<b><u>\$ 1,197,032</u></b>	<b><u>\$ 3,402,535</u></b>	<b><u>\$ -</u></b>	<b><u>(13,969,382)</u></b>	
<b>General revenues:</b>						
Taxes:						
Property taxes					2,129,782	
Sales taxes					6,022,595	
Real property transfer taxes					284,486	
Franchise fees					1,450,159	
Investment income					59,131	
Motor vehicle fees, in-lieu taxes, unrestricted intergovernmental					3,773,829	
Other					<u>45,216</u>	
<b>Total general revenues</b>					<b><u>13,765,198</u></b>	
<b>Change in net position</b>					<b><u>(204,184)</u></b>	
<b>Net position at beginning of year</b>					<b><u>128,881,845</u></b>	
<b>Net position at end of year</b>					<b><u>\$ 128,677,661</u></b>	

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

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# Fund Financial Statements

City of Rancho Santa Margarita, California

## **GOVERNMENTAL FUNDS**

### **GENERAL FUND**

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

### **CAPITAL PROJECTS FUND**

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

### **DEBT SERVICE FUND**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, the City long-term debt principal and interest.

This fund is used to account for the payment of interest and principal of the City of Rancho Santa Margarita Public Financing Authority (“PFA”) and related transactions to facilitate the refunding of the Rancho Santa Margarita Nonprofit Corporation 2003 Certificates of Participation which financed the construction of the City’s civic center facilities.

### **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, 2014**

<b>Assets</b>	<b>General</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Cash and investments	\$ 16,553,460	\$ 1,162,821	\$ -	\$ 3,524,599	\$ 21,240,880
Cash and investments w/fiscal agent	-	-	2,356,003	-	2,356,003
Receivables:					
Due from other governments	840,825	5,180	-	274,130	1,120,135
Accrued interest	6,929	236	1,300	1,916	10,381
Accounts, net	258,144	23,870	-	41,551	323,565
Prepaid items	6,524	-	-	-	6,524
Total assets	<b>\$ 17,665,882</b>	<b>\$ 1,192,107</b>	<b>\$ 2,357,303</b>	<b>\$ 3,842,196</b>	<b>\$ 25,057,488</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 431,501	\$ 528,575	\$ -	\$ 23,406	\$ 983,482
Wages payable	93,840	-	-	-	93,840
Unearned revenue	53,025	-	-	-	53,025
Retentions payable	-	62,523	-	-	62,523
Deposits	171,132	-	-	-	171,132
Total liabilities	<b>749,498</b>	<b>591,098</b>	<b>-</b>	<b>23,406</b>	<b>1,364,002</b>
Fund balance:					
Nonspendable: Prepaid items	6,524	-	-	-	6,524
Restricted for debt service	-	-	2,357,303	-	2,357,303
Restricted for roads, grants, parks	-	-	-	3,818,790	3,818,790
Committed for street maintenance	16,830	520,086	-	-	536,916
Committed for Habitat Restoration	1,648,141	-	-	-	1,648,141
Committed for self insurance	30,000	-	-	-	30,000
Assigned:					
Council projects/equipment/facilities	8,170,086	-	-	-	8,170,086
Capital projects working capital	-	80,923	-	-	80,923
Unassigned	7,044,803	-	-	-	7,044,803
Total fund balance	<b>16,916,384</b>	<b>601,009</b>	<b>2,357,303</b>	<b>3,818,790</b>	<b>23,693,486</b>
Total liabilities and fund balance	<b>\$ 17,665,882</b>	<b>\$ 1,192,107</b>	<b>\$ 2,357,303</b>	<b>\$ 3,842,196</b>	<b>\$ 25,057,488</b>

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

**CITY OF RANCHO SANTA MARGARITA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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

Fund balances of governmental funds	\$ 23,693,486
Capital assets net of depreciation have not been included as financial resources in governmental funds:	118,198,462
Long term debt, accrued interest payable, compensated absences, and OPEB obligation have not been included in the governmental funds:	
Mitigation Obligation	(1,900,535)
Lease Revenue Refunding Bonds Payable	(10,800,000)
Bond Premium	(531,054)
Loss on Bond Refunding	463,567
Accrued Interest Payable, net	(60,990)
Compensated Absences Payable	(210,664)
Other Post Employment Benefits (OPEB) Obligation	(174,611)
Net position of governmental activities	<u>\$ 128,677,661</u>

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

**CITY OF RANCHO SANTA MARGARITA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>General</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Revenues:					
Taxes	\$ 8,436,863	\$ -	\$ -	\$ -	\$ 8,436,863
Fees and permits	1,807,790	-	-	748,977	2,556,767
Intergovernmental	3,994,967	617,069	-	2,353,803	6,965,839
Charges for services	666,155	-	-	-	666,155
Investment income	41,602	1,344	5,676	10,509	59,131
Fines, forfeits and penalties	173,246	-	-	-	173,246
Other	45,216	-	-	-	45,216
Total revenues	<u>15,165,839</u>	<u>618,413</u>	<u>5,676</u>	<u>3,113,289</u>	<u>18,903,217</u>
Expenditures:					
Current:					
General government	3,820,255	-	-	-	3,820,255
Building and planning	1,048,181	-	-	-	1,048,181
Public safety	7,650,144	-	-	105,540	7,755,684
Public works	1,764,230	1,596,868	-	266,691	3,627,789
Capital outlay	11,533	201,610	-	-	213,143
Debt Service:					
Principal Retirement	-	-	430,000	-	430,000
Interest	-	-	370,238	-	370,238
Total expenditures	<u>14,294,343</u>	<u>1,798,478</u>	<u>800,238</u>	<u>372,231</u>	<u>17,265,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>871,496</u>	<u>(1,180,065)</u>	<u>(794,562)</u>	<u>2,741,058</u>	<u>1,637,927</u>
Other financing sources (uses):					
Transfers in (note 3)	702,283	1,350,114	800,238	-	2,852,635
Transfers out (note 3)	(800,238)	-	-	(2,052,397)	(2,852,635)
Total financing sources (uses)	<u>(97,955)</u>	<u>1,350,114</u>	<u>800,238</u>	<u>(2,052,397)</u>	<u>-</u>
Net change in fund balances	773,541	170,049	5,676	688,661	1,637,927
Fund balances, beginning of year,	<u>16,142,843</u>	<u>430,960</u>	<u>2,351,627</u>	<u>3,130,129</u>	<u>22,055,559</u>
Fund balances, end of year	<u>\$ 16,916,384</u>	<u>\$ 601,009</u>	<u>\$ 2,357,303</u>	<u>\$ 3,818,790</u>	<u>\$ 23,693,486</u>

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

**CITY OF RANCHO SANTA MARGARITA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances - total governmental funds	\$ 1,637,927
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Expenditures, Net of Dispositions	146,496
Depreciation of Capital Assets	(1,846,438)

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)	430,000
Amortization of deferred loss on bond refunding	(23,773)
Amoprtization of premium on Refunding Bonds Issued	27,234
Accrued Interest Payable on long term debt (Lease Revenue Refunding Bonds)	1,433
Compensated Absences	52
Net OPEB Obligation	(38,663)

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.

(538,452)

Change in net position of governmental activities	<u><u>\$ (204,184)</u></u>
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See Independent Auditors' Report and Notes to the Basic Financial Statements.

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# Notes to the Financial Statements

City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

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

The City of Rancho Santa Margarita (the City) was incorporated on January 1, 2000 under the General Laws of the State of California. The City operates under a Council-Manager form of government. The City provides all municipal services, including street maintenance, street sweeping, street lighting, traffic signal maintenance, animal control, engineering, public works, building and planning operations, and law enforcement. The fiscal year ending June 30, 2014 was the twelfth year that the City paid the full cost for all these services.

Generally accepted accounting principles require that these financial statements represent the City of Rancho Santa Margarita and its component units, entities for which the City is considered to be financially accountable. These basic financial statements of the City of Rancho Santa Margarita include the financial activities of the City and the 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 and City staff of the primary government and are financially accountable to the PFA. On December 1, 2012 the City and the PFA (“Authority”) entered into a Ground Lease agreement in which the City leased certain real property and the improvements located thereon to the Authority and the City will sublease the real property back from the Authority pursuant to a Lease Agreement. The leases are financing arrangements which transfer ownership of the assets to the City at the end of the lease term. On December 19, 2012, the PFA issued Lease Revenue Refunding Bonds in the amount of \$11,230,000 in order to refund the outstanding RSMNP 2003 Certificates of Participation balance of \$11,045,000 and fund the

See Independent Auditors’ Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

“2012 Project”. The new 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.

**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.

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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.

**New Accounting Pronouncements:**

**Current Year Standards:**

GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, required to be implemented in the current year did not impact the City.

GASB 70 - “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”, required to be implemented in the current fiscal year did not impact the City.

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

GASB 68 – “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, effective for the fiscal years beginning after June 15, 2014.

GASB 69 – “*Government Combinations and Disposals of Government Operations*”, effective for periods beginning after December 15, 2013.

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

GASB 71 – *“Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68”*, effective for periods beginning after June 15, 2014.

**Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It 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 refunded debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City does not have any deferred inflows of resources to report as of June 30, 2014.

**Fund Financial Statements**

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

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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.”

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (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. Special reporting treatments are used to indicate; however, that they should not be considered “available spendable resources,” since they do not represent available fund balance.

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

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

**(b) Major Funds**

The major funds are described as follows:

**General Fund**

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

**Capital Projects Fund**

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

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

**Debt Service Fund**

The Debt Service Fund has been classified as a major fund. It is used to account for transactions related to servicing the City's bond indebtedness.

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

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

“Total fund balances” of the City’s governmental funds equal to \$23,693,486 differs from “net position” of governmental activities of \$128,677,661 reported in the statement of net position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheets.

**Capital Related Items**

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

Invested in capital assets	\$177,562,058
Accumulated depreciation	<u>(59,363,596)</u>
Net capital assets	<u>\$118,198,462</u>

**Deferred Outflows of Resources**

The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the loss on bond refunding reported in the government-wide statement of net position.

Loss on bond refunding      \$    463,567

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

**Liabilities Transactions**

Payment liabilities applicable to the City's governmental activities not due and payable in the current period are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at June 30, 2014 were:

Mitigation obligation	\$ 1,900,535
Long-term debt	10,800,000
Bond premium	531,054
Interest payable	60,990
Compensated absences	210,664
Net OPEB Obligation	<u>174,611</u>
Net long-term liabilities	<u><u>\$13,677,854</u></u>

**Reclassifications and Eliminations**

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

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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

<b>Assets</b>	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Long-term Debt Transactions</b>	<b>Accrued Interest Payable</b>	<b>Deferred Benefits *</b>	<b>Statement of Net Position</b>
Cash and investments	\$ 21,240,880	\$ -	\$ -	\$ -	\$ -	\$ 21,240,880
Restricted cash with fiscal agent	2,356,003	-	-	-	-	2,356,003
Receivables:						
Due from other governments	1,120,135	-	-	-	-	1,120,135
Accrued interest	10,381	-	-	-	-	10,381
Accounts, net	323,565	-	-	-	-	323,565
Prepaid items	6,524	-	-	-	-	6,524
Non-depreciable capital assets	-	97,258,245	-	-	-	97,258,245
Depreciable capital assets	-	80,303,813	-	-	-	80,303,813
Less: accumulated depreciation	-	(59,363,596)	-	-	-	(59,363,596)
Total assets	<u>25,057,488</u>	<u>118,198,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,255,950</u>
<b>Deferred Outflows of Resources</b>						
Loss on bond refunding	-	-	463,567	-	-	463,567
Total deferred outflows	<u>-</u>	<u>-</u>	<u>463,567</u>	<u>-</u>	<u>-</u>	<u>463,567</u>
<b>Liabilities and Fund Balances/Net Assets</b>						
Liabilities:						
Accounts payable	983,482	-	-	-	-	983,482
Wages payable	93,840	-	-	-	-	93,840
Unearned revenue	53,025	-	-	-	-	53,025
Retentions payable	62,523	-	-	-	-	62,523
Deposits payable	171,132	-	-	-	-	171,132
Mitigation obligation payable	-	-	1,900,535	-	-	1,900,535
Long-term debt	-	-	10,800,000	-	385,275	11,185,275
Bond premium			531,054			531,054
Accrued interest payable	-	-	-	60,990	-	60,990
Total liabilities	<u>1,364,002</u>	<u>-</u>	<u>13,231,589</u>	<u>60,990</u>	<u>385,275</u>	<u>15,041,856</u>
Fund balances/net position	<u>23,693,486</u>	<u>118,198,462</u>	<u>(12,768,022)</u>	<u>(60,990)</u>	<u>(385,275)</u>	<u>128,677,661</u>
Total liabilities and fund balances / net position	<u>\$ 25,057,488</u>	<u>\$ 118,198,462</u>	<u>\$ 463,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,719,517</u>

\* Deferred benefits includes: Compensated Absences of \$210,664 and OPEB Obligation of \$174,611.

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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

The “net change in fund balances” for governmental funds \$1,637,927 differs from the “change in net position” for governmental activities \$(204,184) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds.

**Capital Related Items**

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

Capital outlay, net of dispositions	\$ 146,496
Depreciation expense	<u>(1,846,438)</u>
Difference	<u><u>\$ (1,699,942)</u></u>

**Liabilities Transactions**

Some liabilities changes applicable to the City’s governmental activities are not reported as fund liabilities. All liabilities balances (both current and long-term) are reported in the Statement of Net Position. Differences at June 30, 2014 were:

Amortization of deferred loss on bond refunding	(23,773)
Amortization of premium on Refunding Bonds	27,234
Principal Retirement and interest	430,000
Accrued Interest Payable	<u>1,433</u>
Liabilities changes	<u><u>434,894</u></u>

See Independent Auditors’ Report

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

**Other Liabilities**

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

Compensated Absences	\$ 52
Net OPEB Obligation	\$ (38,663)

**Unavailable Revenue**

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.

Unavailable Revenue	\$ (538,452)
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**Reclassification and Eliminations**

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

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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

	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Long-term Debt Transactions</b>	<b>Accrued Interest Payable</b>	<b>Unavailable Revenue</b>	<b>Reclassifications and Eliminations</b>	<b>Deferred Benefits *</b>	<b>Statement of Activities</b>
<b>Revenues:</b>								
Taxes	\$ 8,436,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,436,863
Fees and permits	2,556,767	-	-	-	-	-	-	2,556,767
Intergovernmental	6,965,839	-	-	-	(538,452)	-	-	6,427,387
Charges for services	666,155	-	-	-	-	-	-	666,155
Investment income	59,131	-	-	-	-	-	-	59,131
Fines, forfeits and penalties	173,246	-	-	-	-	-	-	173,246
Other	45,216	-	-	-	-	-	-	45,216
<b>Total revenues</b>	<b>18,903,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(538,452)</b>	<b>-</b>	<b>-</b>	<b>18,364,765</b>
<b>Expenditures:</b>								
Current:								
General government	3,820,255	24,850	-	-	-	-	22,314	3,867,419
Building and planning	1,048,181	-	-	-	-	-	8,773	1,056,954
Public safety	7,755,684	-	-	-	-	-	534	7,756,218
Public works	3,627,789	1,821,588	-	-	-	-	6,990	5,456,367
Capital outlay	213,143	(146,496)	-	-	-	-	-	66,647
Debt service:								
Principal Retirement	430,000	-	(430,000)	-	-	-	-	-
Interest	370,238	-	(3,461)	(1,433)	-	-	-	365,344
<b>Total expenses</b>	<b>17,265,290</b>	<b>1,699,942</b>	<b>(433,461)</b>	<b>(1,433)</b>	<b>-</b>	<b>-</b>	<b>38,611</b>	<b>18,568,949</b>
<b>Other financing sources (uses):</b>								
Transfers in	2,852,635	-	-	-	-	(2,852,635)	-	-
Transfers out	(2,852,635)	-	-	-	-	2,852,635	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances/</b>								
net position	1,637,927	(1,699,942)	433,461	1,433	(538,452)	-	(38,611)	(204,184)
Fund balances / net position beginning of year	22,055,559	119,898,404	(13,201,483)	(62,423)	538,452	-	(346,664)	128,881,845
Fund balances / net position, end of year	<b>\$ 23,693,486</b>	<b>\$ 118,198,462</b>	<b>\$ (12,768,022)</b>	<b>\$ (60,990)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (385,275)</b>	<b>\$ 128,677,661</b>

\* Deferred benefits includes: Compensated Absences of \$(52) and OPEB Obligation of \$38,663.

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

**(g) Cash and Investments**

Investments are reported in the accompanying Balance Sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds, except investments held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

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

**(h) Capital Assets**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$3,000 (including infrastructure) are capitalized if they have an expected useful life of three years or more.

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

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

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, (Continued)**

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

**(i) Property Taxes**

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

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

**(j) Encumbrances**

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

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

(k) 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).

(l) 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 effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectability of its receivables, the depreciation of its capital assets and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

(m) Fund Equity

The City’s Reserve Policy refers to the GASB-S54 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).

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (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 13-06-26-01.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

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.

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 2 – CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and investments	\$21,240,880
Cash and investments with fiscal agent	<u>2,356,003</u>
 Total Cash and Investments	 <u>\$23,596,883</u>

Cash and investments at June 30, 2014 consisted of the following:

Cash and Investments held by City:

Deposits in banks or on hand	\$ 7,313,860
Local Agency Investment Fund (LAIF)	<u>13,927,020</u>
 Total Cash and Investments held by City	 <u>\$21,240,880</u>

Cash and Investments held by Fiscal Agent:

Local Agency Investment Fund (LAIF)	<u>\$ 2,356,003</u>
 Total Cash and Investments held by Fiscal Agent	 <u>\$ 2,356,003</u>
 Total Cash and Investments	 <u>\$23,596,883</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.

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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

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

Investments Authorized by Debt Agreements

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

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

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<b>Investment Type</b>	<b>Remaining Maturity (in Months)</b>				
	<b>Total Amount</b>	<b>0-12 Months</b>	<b>12-23 Months</b>	<b>24-35 Months</b>	<b>Greater than 36 Months</b>
Local Agency Investment Fund (LAIF)	\$ 13,927,020	\$ 13,927,020	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Local Agency Investment Fund (LAIF)	2,356,003	2,356,003	-	-	-
Total	<u>\$ 16,283,023</u>	<u>\$ 16,283,023</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.

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment Type	Total Amount	Minimum		
		Legal Rating	Rating as of Fiscal Year End	AAA
Local Agency Investment Fund (LAIF)	\$ 13,927,020	N/A	\$ -	\$ 13,927,020
Held by bond fiscal agent: Local Agency Investment Fund (LAIF)	2,356,003	N/A	-	2,356,003
<b>Total</b>	<b><u>\$ 16,283,023</u></b>		<b><u>\$ -</u></b>	<b><u>\$ 16,283,023</u></b>

**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, 2014, 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.

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**CITY OF RANCHO SANTA MARGARITA**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

**Investment in State Investment Pool**

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

**NOTE 3 – TRANSFERS IN AND OUT**

Transfers in and out for the year ended June 30, 2014 are as follows:

	<b>Transfers From:</b>				
	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Funds	Total
<b>Transfers To:</b>					
General Fund	\$ -	\$ -	\$ -	\$ 702,283	\$ 702,283
Capital Projects	-	-	-	1,350,114	1,350,114
Debt Service Fund	800,238	-	-	-	800,238
Non-major Funds	-	-	-	-	-
Total Transfers	<u>\$ 800,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,052,397</u>	<u>\$ 2,852,635</u>

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

- The transfer of \$702,283 from the Non-major Funds to the General Fund was to fund street maintenance costs and traffic engineering services—both recorded in the General Fund.
- The transfer of \$1,350,114 from the Non-major Funds to the Capital Project Fund was primarily to fund the various slurry seal and overlay road projects throughout the city (\$1,200,007), and traffic signal synchronization projects (\$150,107).
- The transfer of \$800,238 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.

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 6,513,500	\$ 170,000	\$ -	\$ 6,683,500
Land - right of way	43,740,119	- -	170,000	43,570,119
Construction in Progress	169,584	134,963	66,647	237,900
Infrastructure - pavement	<u>46,766,726</u>	<u>-</u>	<u>-</u>	<u>46,766,726</u>
<b>Total capital assets not being depreciated</b>	<b><u>97,189,929</u></b>	<b><u>304,963</u></b>	<b><u>236,647</u></b>	<b><u>97,258,245</u></b>
<b>Capital assets being depreciated:</b>				
Machinery & Equipment	511,880	11,533	- -	523,413
Buildings	16,618,510	- -	- -	16,618,510
Parks	906,478	- -	- -	906,478
Infrastructure - all others	<u>62,188,765</u>	<u>66,647</u>	<u>- -</u>	<u>62,255,412</u>
<b>Total capital assets being depreciated</b>	<b><u>80,225,633</u></b>	<b><u>78,180</u></b>	<b><u>- -</u></b>	<b><u>80,303,813</u></b>
<b>Less accumulated depreciation:</b>				
Machinery & Equipment	464,839	24,850	- -	489,689
Buildings	4,985,551	553,950	- -	5,539,501
Parks	288,618	36,259	- -	324,877
Infrastructure	<u>51,778,150</u>	<u>1,231,379</u>	<u>- -</u>	<u>53,009,529</u>
<b>Total accum. depreciation:</b>	<b><u>57,517,158</u></b>	<b><u>1,846,438</u></b>	<b><u>- -</u></b>	<b><u>59,363,596</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>22,708,475</u></b>	<b><u>(1,768,258)</u></b>	<b><u>- -</u></b>	<b><u>20,940,217</u></b>
<b>Total capital assets, net</b>	<b><u>\$119,898,404</u></b>	<b><u>\$(1,463,295)</u></b>	<b><u>\$ 236,647</u></b>	<b><u>\$118,198,462</u></b>

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

General government	\$ 24,850
Public works	1,821,588
<b>Total</b>	<b><u>\$1,846,438</u></b>

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS, (Continued)

Construction Commitments

The City had various active, on-going and un-completed construction projects at June 30, 2014. At year-end, in the Capital Projects fund, the City's encumbrances with contractors for work performed before June 30, 2014, but not yet paid were as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Open Space Habitat Restoration	\$ 55,975	\$ 151,275
Open Space Habitat Restoration	54,440	22,100
Residential Overlay	92,744	5,056
Chiquita Ridge Open Space Assessment	164,325	9,735
Pavement Rehabilitation	342,770	44,883
Pavement Rehabilitation	41,514	125,671
SMP Signal & Equipment Upgrade	2,522	14,268
SMP / Alicia Landscape	33,419	23,221
SMP / Empresa Landscape	7,512	20,370
Trabuco Mesa Bulb-Out Improvements	39,522	436
Emergency Vehicle Pre-emption	134,929	103,071
 Total	 <u>\$ 969,672</u>	 <u>\$ 520,086</u>

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 5 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2014 was as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Mitigation Obligation	\$ 1,900,535	\$ -	\$ -	\$ 1,900,535	\$ -
<b>Lease Revenue Refunding Bonds</b>					
City Hall & Regional					
Community Center	11,230,000	-	430,000	10,800,000	370,000
Bond premium	558,288	-	27,234	531,054	-
Compensated absences	210,716	182,574	182,626	210,664	94,799
OPEB Obligation (Note 7)	<u>135,948</u>	<u>42,875</u>	<u>4,212</u>	<u>174,611</u>	<u>-</u>
<b>Total Governmental</b>					
Long-Term Liabilities	<u>\$ 14,035,487</u>	<u>\$ 225,449</u>	<u>\$ 644,072</u>	<u>\$ 13,616,864</u>	<u>\$ 464,799</u>

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

The Lease Revenue Refunding Bonds are subject to Federal arbitrage regulations. The City has no arbitrage calculation due until November 2018.

**Mitigation Obligation**

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

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 5 – LONG-TERM LIABILITIES, (Continued)**

The Governor can trigger this supplemental payment under Proposition 58 (2004), the state's existing rainy-day fund requirement.

The supplemental payment would result in an early retirement of the ERB's generating the expiration of the "triple-flip" in FY 2015-16, about one year earlier than otherwise would be the case. The "triple-flip" payment also known as sales tax in lieu payment was paid by the County of Orange in the form of ad valorem property tax revenues which was not included in prior sales tax mitigation calculations. The payment was tracked by the City separately from the sales tax revenue payments sent from the State Board of Equalization (SBOE). Upon payment of the ERB's, the sales tax in lieu payment will end and the City will receive 100% of their sales tax revenue payment from the SBOE. Due to this change, the actual sales tax revenue used in the mitigation calculation will increase greatly initiating a mitigation payment due to the County of Orange earlier than previously projected and higher than estimated. Based on the early retirement of the ERB's and revised estimated sales tax revenue growth projections, it is estimated that payments will resume June 30, 2016 based on 2015 sales tax revenue and is projected to be paid in full with in the following 3 year period. The estimated sales tax revenue projections and mitigation payments are as follows:

<u>Fiscal Year</u>	<u>Estimated Revenue</u>	<u>Estimated Mitigation Payment</u>
2015	\$ 4,695,177	\$ -
2016	6,450,086	787,909
2017	6,643,588	835,917
2018	6,842,896	276,709
Total of estimated payments		<u><u>\$ 1,900,535</u></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

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**CITY OF RANCHO SANTA MARGARITA  
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**NOTE 5 – LONG-TERM LIABILITIES, (Continued)**

Margarita Nonprofit Corporation and to finance the construction of various public road improvements within the City, and such other projects identified in the City's capital improvement plan (the "2012 project").

The bonds are secured by base rental payments to be made by the Public Financing Authority pursuant to the lease agreement. Principal is payable annually on each November 1, commencing on November 1, 2013. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2013. The outstanding balance at June 30, 2014 is \$10,800,000.

The annual requirements to amortize the outstanding Lease Revenue Refunding Bonds, Series 2012A as of June 30, 2014, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 370,000	\$ 360,387	\$ 730,387
2016	385,000	347,138	732,138
2017	405,000	331,337	736,337
2018	420,000	314,838	734,838
2019	430,000	297,837	727,837
2020-2024	2,445,000	1,208,688	3,653,688
2025-2029	2,940,000	709,800	3,649,800
2030-2033	3,405,000	257,794	3,662,794
 Totals	 <u>\$ 10,800,000</u>	 <u>\$ 3,827,819</u>	 <u>\$ 14,627,819</u>

**NOTE 6 – PENSION PLAN**

CalPERS Defined Benefit Pension Plan for Miscellaneous Employees

Plan Description The City's employees are eligible to participate in the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. Initial participation was determined August 2006, at which time eligible employees conducted an election voting to withdraw from the Orange County Employees Retirement System (OCERS) and participate in the CalPERS Defined Benefit Pension Plan for Miscellaneous Employees. New employees are required to join CalPERS. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

NOTE 6 – PENSION PLAN, (continued)

common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. The City has authority for establishing and amending plan benefits. Copies of CalPERS' annual financial report may be obtained from its executive office: 400 "P" Street, Sacramento, California 95814.

Funding Policy Plan participants (members) for Tier 1 (2.5% @ 55 formula) are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Plan participants for Tier 2 (2% @ 60 formula) are required to contribute 7% of their annual covered salary and the participant makes the required contribution on their own behalf and for their account. As of January 1, 2013, California Public Employees' Pension Reform Act of 2013 (PEPRA) implemented new benefit formulas as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member as per PEPRA. This new law created a Tier 3 pension formula for the City of Rancho Santa Margarita. Plan participants for Tier 3 (2% @ 62 formula) are required to contribute 6.5% of their annual covered salary and make the required contributions on their own behalf and for their account. The City is also required to contribute additional amounts at an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City has authority for establishing and amending the funding policy.

Contributions For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. An employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The City's covered payroll for PERS was \$1,716,782 for the year ended June 30, 2014, while the City's total payroll for all employees was \$1,955,838 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees who were actually paid during the period from July 1, 2013 to June 30, 2014. For all years of participation in this plan the actual contribution made equaled the required contribution.

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

NOTE 6 – PENSION PLAN, (continued)

Three Year Trend Information The following table provides the employer contribution rate, the required contribution amount, and the actual percentage contributed for fiscal year ended June 30, 2014 and the prior two years.

Fiscal Year	Plan	Employer Contribution Rate	Employer Contribution	Percentage Contributed
6/30/2012	Tier 1	16.50%	\$ 260,467	100%
	Tier 2	8.70%	\$ 2,456	100%
	Total		\$ 262,923	
6/30/2013	Tier 1	17.11%	\$ 232,301	100%
	Tier 2	7.85%	\$ 27,471	100%
	Tier 3	6.50%	\$ -	N/A
6/30/2014	Total		\$ 259,772	
	Tier 1	17.67%	\$ 230,515	100%
	Tier 2	8.82%	\$ 36,324	100%
	Tier 3	6.70%	\$ -	N/A
	Total		\$ 266,839	

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.

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

Eligibility 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, 2014:

Eligible retirees from City service	5
Active employees, both enrolled and un-enrolled in the City's CalPERS health insurance plan	<u>20</u>
Total	<u>25</u>

City's Funding Policy 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 2013-14, the City paid \$119 per month as the full amount required by the plan for each retiree from City service, for a total of \$4,212.

Annual OPEB Cost and Net OPEB Obligation. The City utilizes the alternative measurement method that differs from a full actuarial valuation and is permitted for employers with fewer than one hundred plan members. Employers who qualify for and use the alternative measurement method should perform new calculations every three years.

The City qualifies to use, and elects to use the alternative measurement method, which allows simplification of certain actuarial assumptions, as a valid means of measuring past, present and future City OPEB costs. The total of all such costs as they are incurred in the future is expressed in current dollars as the present value of those costs. The

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

actuarial accrued liability (AAL) is the present value of benefit costs attributed to past service only. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan payment obligations for current or future retirees. Because the City does not have an irrevocable trust for the pre-funding of those benefit costs as they become realized in the future, the City has an equal *unfunded* accrued liability (UAL). The service cost is the proportion of the present value of future benefit costs allocated to the current period (fiscal year) by the actuarial method used in the valuation.

The actuarial cost method used in the City's current valuation, dated July 1, 2012, is the projected unit credit (PUC) method; under which the present value of costs is apportioned into AAL and service cost. The annual required contribution (ARC) is an amount equal to the combination of service cost for the current fiscal year and amortization, or allocation of a portion of the unfunded liability to the current fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover service costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years based on an open group.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Service cost – at 6/30/2014	\$ 29,528
30 year amortization of UAL	<u>15,771</u>
Annual required contribution	\$ 45,299
Interest on net OPEB obligation	5,438
Adjustments to annual required contributions	<u>(7,862)</u>
Annual OPEB cost (expense)	\$ 42,875
Contributions made	<u>(4,212)</u>
Increase in net OPEB obligation	\$ 38,663
Net OPEB obligation-beginning of year	<u>\$ 135,948</u>
Net OPEB obligation-end of year	<u>\$ 174,611</u>

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)**

The three-year trend information of the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
		Net of Adjustments		
6/30/2012	\$ 34,157	\$ 5,469	13.23%	\$ 91,730
6/30/2013	\$ 48,968	\$ 4,750	9.70%	\$ 135,948
6/30/2014	\$ 42,875	\$ 4,212	9.82%	\$ 174,611

Funded Status and Funding Progress The funded status of the plan as of July 1, 2012, was as follows:

Actuarial accrued liability (AAL)	\$272,705
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$272,705</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$1,663,686
UAAL as a percentage of covered payroll	16.39%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)**

the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Actuarial Cost Method. For the actuarial valuation date of 7/1/2012, the actuarial assumptions included an investment rate of 4% and annual healthcare cost trend rate of 8 percent initially, reduced by decrements of 1 percent per year to an ultimate rate of 5 percent after the third year. The annual inflation rate assumed 4 percent increases in medical costs. The UAAL is being amortized as a level dollar of projected payroll over an open 30 year period. It is assumed the City's payroll will increase 5 percent per year.

**NOTE 8 – RISK MANAGEMENT**

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

**General Liability**

The City purchases general liability insurance from Public Agency Risk Sharing Authority of California (PARSAC). There is a self-insured retention of \$10,000 per claim. PARSAC provides limits to \$1,000,000. Excess coverage is provided through a combination of pooling and reinsurance for total coverage limits of \$34 million. The total premium for this coverage was \$105,612 for the fiscal year ending June 30, 2014.

**Workers' Compensation**

There is no deductible and the policy provides statutory limits. The premium for this coverage was \$37,505 for the fiscal year ending June 30, 2014.

**Property Insurance**

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

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 8 – RISK MANAGEMENT (continued)**

**Fidelity Bonds**

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

Insurance premium payments to PARSAC are made from the City's General Fund. There were no significant claims or claims payments during the fiscal year, and there were no significant outstanding claims at June 30, 2014. Furthermore, there have been no claims settlements or judgments that have exceeded insurance coverage since the City's inception on January 1, 2000.

**NOTE 9 – CONTINGENT LIABILITIES**

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

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

**NOTE 10 – UNEARNED REVENUE**

For the governmental funds, revenues are recognized for monies received when the related expenditures are measurable or incurred or eligibility requirements are satisfied. Unearned revenue reported in the General Fund represents advancements that have not been earned. The City has reported the same amount as "unearned revenue" on the government-wide financial statements. For the Fiscal Year ended June 30, 2014, in the General Fund, \$53,025 was unearned revenue received in advance of planned Community Services programs or events.

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 11 – GENERAL FUND BALANCE CLASSIFICATIONS**

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

The City's fund balance classifications at June 30, 2014, are presented below and followed by explanations as to the nature and purpose of each classification.

**NOTE 12 – GENERAL FUND BALANCE CLASSIFICATIONS**

General Fund:

Assigned:

Council Strategic	\$ 3,142,852
Technology	1,000,994
Facilities	2,730,624
Vehicles	243,901
Infrastructure	<u>1,051,716</u>
Total Assigned: Council projects/equipment/facilities	<u>\$ 8,170,087</u>

Unassigned:

Emergency Policy	<u>7,044,803</u>
Total Unassigned: Emergency Policy	<u>\$ 7,044,803</u>

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

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

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 12 – GENERAL FUND BALANCE CLASSIFICATIONS, (Continued)**

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

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

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

Emergency Policy – Unassigned to be used for resumption of City services, during a natural or man-made disaster, which shall require a super majority vote (4/5) of the City Council to access these funds during non-emergencies, and majority vote (3/5) of the City Council to access these funds during emergencies.

Unless earmarked for specific identifiable improvements or projects, emergency funds may not be classified as committed or assigned; and are therefore included in the unassigned classification.

**NOTE 13 – COMMITMENTS**

As of June 30, 2014, City commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) and self-insurance for the General Fund are as follows:

General Fund:	Committed for street maintenance	\$ 16,830
	Committed for Habitat Restoration	1,648,141
	Committed for self insurance	30,000
		<hr/>
		\$ 1,694,971
Capital Projects Fund:	Committed for street construction	<hr/> <u>\$ 520,086</u>

As of June 30, 2014, the City of Rancho Santa Margarita has a contingent commitment due to litigation initiated by a property owner regarding zoning and allowable use of commercial property. The lawsuit had been in an informal stay pending the result of a local ballot measure. The ballot measure failed, and the informal stay remains in place. An adverse ruling against the City for partial taking could potentially be between \$ 4 to 6 million.

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 14 – OPERATING LEASE**

The City entered into a non-cancelable operating lease agreement with Toshiba Financial Services in July 2013 for copy equipment at City Hall and BTRCC at a cost of \$33,214. The monthly cost of the 3-year lease agreement is \$922 and is funded by the General Fund. Future minimum payments relating to the lease are as follows:

<u>Year Ending June 30,</u>	<u>Annual Rent</u>
2015	11,071
2016	<u>11,071</u>
<u>\$</u>	<u>22,142</u>

**NOTE 15 – LITIGATION SETTLEMENT**

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

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

After more than a year of negotiations, the parties negotiated a settlement agreement which, in addition to finalizing the transfer of property easements that belonged to the

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 15 – LITIGATION SETTLEMENT, (continued)**

City upon incorporation, such as open space and public access easements, included the following key terms. The specific transactions and related items were completed at the times noted and with particular actions as noted.

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

In addition to any portion of the 37 acres which are restored, the City shall enhance and restore 80 acres of habitat to increase the environmental value of the habitat. The 80 acres will be in or close to the City and will provide a benefit to the City's residents. The County received title to the remaining 410 acres that were in dispute thereby protecting that property as natural habitat and ensuring its enrollment in the Habitat Reserve. The City is required by the Settlement Agreement to prepare a restoration plan by the end of the third year after the Chiquita Ridge parcel conveyance, and begin restoration efforts by the end of the fourth year after conveyance. The Restoration Plan including the adoption of a negative declaration was approved by City Council on December 11, 2013. On May 28, 2014, City Council approved the professional Habitat Restoration and Enhancement Contractor services agreement with Habitat Restoration Sciences, Inc. with a not to exceed amount of \$2,720,211. Other project related costs have also been approved bringing to the total estimated project cost to \$3,157,232. Estimated project costs has been distributed over seven years with the greatest fiscal impact in FY 2014/15 which includes most of the irrigation installation for the Project as well as the removal of invasive species, and the purchasing and planting of native species. The following five years of the contract are for planned maintenance on the project. In FY 2012/13 and FY 2013/14, the City incurred costs of \$104,561 and \$168,357 respectively toward the development of the Restoration Plan and the environmental document of the Habitat Restoration Project. The financial statements include an encumbrance of \$1,648,141 for the Habitat Restoration Sciences, Inc. contract to be initiated in FY 2014/15. Expenditures will be recorded in the City's financial statements as costs are incurred for restoration efforts in future fiscal years.

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

**NOTE 15 – LITIGATION SETTLEMENT, (continued)**

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

**NOTE 16 – SUBSEQUENT EVENTS**

In December 2010, as a result of water storm events, the Civic Center buildings experienced water intrusion, causing damage to the interior of the buildings. After failed voluntary negotiations with the program manager, builder and architect, the City filed action on September 27, 2013 against all parties including sub-contractors associated with the construction of the Civic Center. Shortly thereafter all parties began settlement negotiations and ultimately agreed upon a repair protocol and repair costs. In exchange for release of future liability, the program manager, builder, architect and associated sub-contractors agreed to pay the City a settlement amount of \$1,700,000. The City Attorney collected the funds and oversaw the execution of the settlement agreement. Once all of the settlement payments were received by the city attorney's office, the settlement agreement was fully executed and the funds were turned over to the City for deposit in order to initiate repairs. Per the settlement agreement the funds were not available to the City until the settlement agreement was dismissed. Dismissal of the agreement was on August 8, 2014 and therefore the \$1,700,000. will be recorded as revenue in Fiscal Year 2014/15.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 11, 2014, the date the financial statements were available to be issued.

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# Required Supplementary Information

City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Schedule of Funding Progress below presents three-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits. For the three most recent-fiscal-year periods, the following information is presented:

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability			Unfunded AAL (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
7/1/2009	\$ -	\$141,927		\$141,927	0%	\$1,607,088	8.83%	
7/1/2012	\$ -	\$272,705		\$272,705	0%	\$1,663,686	16.39%	

The actuarial valuation dated July 1, 2009 contained a discount rate of 5%. The actuarial valuation dated July 1, 2012 included a discount rate of 4%, which partly caused the increase in the annual required contribution from \$34,157 to \$45,299. In addition, the decrease in the discount rate contributed to the increase in the actuarial accrued liability from \$141,927 in the 7/1/09 report to \$272,705 in the 7/1/12 report.

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**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

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

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**CITY OF RANCHO SANTA MARGARITA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
Budgetary fund balances, July 1	\$ 15,850,204	\$ 15,850,204	\$ 16,142,843	\$ 292,639
Resources (inflows):				
Taxes	8,317,458	8,317,458	8,436,863	119,405
Fees and permits	1,812,153	1,812,153	1,807,790	(4,363)
Intergovernmental	3,926,171	3,926,171	3,994,967	68,796
Charges for service	690,110	690,110	666,155	(23,955)
Investment income	54,237	54,237	41,602	(12,635)
Fines, forfeits and penalties	210,000	210,000	173,246	(36,754)
Other	27,500	27,500	45,216	17,716
Transfers from other funds	805,323	805,323	702,283	(103,040)
Amounts available for appropriation	<u>31,693,156</u>	<u>31,693,156</u>	<u>32,010,965</u>	<u>317,809</u>
Charges to appropriations (outflows):				
General government	3,821,372	4,046,372	3,820,255	226,117
Building and planning	1,051,746	1,051,746	1,048,181	3,565
Public safety	7,960,903	7,960,903	7,650,144	310,759
Public works	2,014,695	2,014,695	1,764,230	250,465
Capital outlay	-	-	11,533	(11,533)
Transfers to other funds	1,400,238	1,400,238	800,238	600,000
Total charges to appropriations	<u>16,248,954</u>	<u>16,473,954</u>	<u>15,094,581</u>	<u>1,379,373</u>
Budgetary fund balances, June 30	<u>\$ 15,444,202</u>	<u>\$ 15,219,202</u>	<u>\$ 16,916,384</u>	<u>\$ 1,697,182</u>

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. In order to establish and maintain eligibility for Measure M transportation funding provided by Orange County, California, the City must adopt and fund a local Pavement Management Plan (PMP). The local PMP is required to be updated every 2 years to maintain Measure M eligibility. The City Council accepted the findings of the PMP update performed in Fiscal Year 2014 and adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. In accordance with the requirements for using the modified approach for this subsystem, these findings will be used until the next PCI assessment is performed for financial reporting purposes within three years of this assessment. The results of the most recent condition assessments were as follows:

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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

	<u>Actual Assessed Condition Level</u>	<u>Minimum Condition Level</u>
<b>2014:</b> Pavement subsystem	81.5	70
<b>2013:</b> Pavement subsystem	78.5	70
<b>2012:</b> Pavement subsystem	79.2	70
<b>2010:</b> Pavement subsystem	78.5	70
<b>2008:</b> Pavement subsystem	76.5	70
<b>2007:</b> Pavement subsystem	73.9	70
<b>2004:</b> Pavement subsystem	75.1	70

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

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

Based on the pavement condition assessment update performed in FY 2014, as of June 30, 2014, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 81.5, or Very Good.

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**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

The following compares the actual street maintenance cost to the budgeted street maintenance costs since June 30, 2003, which was the first year of implementation of the modified approach for street pavement. Appropriations totaling \$2,484,861 have been budgeted for the fiscal year ending June 30, 2015 for maintenance/rehabilitation to maintain PCI standard.

	Street Maintenance Cost	Street Maintenance Budget
June 2014	\$ 2,145,969	\$ 3,011,593
June 2013	\$ 2,067,232	\$ 2,608,357
June 2012	\$ 1,743,138	\$ 2,096,757
June 2011	\$ 2,857,557	\$ 3,171,799
June 2010	\$ 1,210,581	\$ 3,056,000
June 2009	\$ 1,042,169	\$ 1,808,700
June 2008	\$ 2,132,675	\$ 3,277,392
June 2007	\$ 3,812,219	\$ 5,091,446
June 2006	\$ 1,818,402	\$ 2,246,154
June 2005	\$ 919,528	\$ 1,160,000
June 2004	\$ 783,620	\$ 943,000
June 2003	\$ 908,403	\$ 1,200,000

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (CONTINUED)**

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

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

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

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

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

The City did not adopt a budget for the following Non-major Governmental Special Revenue Funds:

- (a) California Law Enforcement Equipment Program Fund.
- (b) Local Park Trust Fund.

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# Supplementary Schedules

SUPPLEMENTARY  
SCHEDULES

City of Rancho Santa Margarita, California

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

Gas Tax – This fund is used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 2105, 2106, 2107, 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.

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

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 Grant, PEG, capital fees and are restricted by Federal law to be used for capital purposes.

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**CITY OF RANCHO SANTA MARGARITA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2014**

	<b>Special Revenue Funds</b>		
	<b>Air Quality Management District</b>		
	<b>Gas Tax</b>	<b>Measure M</b>	<b>District</b>
<b>Assets</b>			
Cash and investments	\$ 1,598,817	\$ 217,049	\$ 183,236
Due from other governments	148,659	109,830	15,641
Accounts receivable	-	-	-
Interest receivable	919	201	121
<b>Total assets</b>	<b><u>\$ 1,748,395</u></b>	<b><u>\$ 327,080</u></b>	<b><u>\$ 198,998</u></b>
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 23,406	\$ -	\$ -
Total liabilities	<u>23,406</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for roads, grants, parks	<u>1,724,989</u>	<u>327,080</u>	<u>198,998</u>
Total fund balances	<u>1,724,989</u>	<u>327,080</u>	<u>198,998</u>
Total liabilities and fund balances	<b><u>\$ 1,748,395</u></b>	<b><u>\$ 327,080</u></b>	<b><u>\$ 198,998</u></b>

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**Special Revenue Funds**

<b>California Law Enforcement Eqpt. Program</b>	<b>Local Park Trust Fund</b>	<b>Supplemental Law Enforce- ment Services</b>	<b>PEG Fee Fund</b>	<b>Totals</b>
\$ 197	\$ 1,029,076	\$ 115,118	\$ 381,106	\$ 3,524,599
-	-	-	-	274,130
-	-	-	41,551	41,551
-	458	56	161	1,916
<b>\$ 197</b>	<b>\$ 1,029,534</b>	<b>\$ 115,174</b>	<b>\$ 422,818</b>	<b>\$ 3,842,196</b>
\$ -	\$ -	\$ -	\$ -	\$ 23,406
-	-	-	-	23,406
197	1,029,534	115,174	422,818	3,818,790
197	1,029,534	115,174	422,818	3,818,790
<b>\$ 197</b>	<b>\$ 1,029,534</b>	<b>\$ 115,174</b>	<b>\$ 422,818</b>	<b>\$ 3,842,196</b>

See Independent Auditors' Report

**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, 2014**

	<b>Special Revenue Funds</b>		
	<b>Gas Tax</b>	<b>Measure M</b>	<b>Air Quality Management District</b>
Revenues:			
Fees and permits	\$ -	\$ -	\$ -
Intergovernmental	1,562,204	628,265	60,177
Investment income	5,300	1,227	716
Total revenues	<u>1,567,504</u>	<u>629,492</u>	<u>60,893</u>
Expenditures:			
Current:			
Public safety	- - -	- - -	- - -
Public works	266,691	- - -	- - -
Total expenditures	<u>266,691</u>	<u>- - -</u>	<u>- - -</u>
Excess (deficiency) of revenues over expenditures	1,300,813	629,492	60,893
Other financing sources (uses):			
Transfers out	(1,206,744)	(748,741)	(96,912)
Total financing sources (uses)	<u>(1,206,744)</u>	<u>(748,741)</u>	<u>(96,912)</u>
Net change in fund balances	94,069	(119,249)	(36,019)
Fund balances, beginning of year	<u>1,630,920</u>	<u>446,329</u>	<u>235,017</u>
Fund balances, end of year	<u>\$ 1,724,989</u>	<u>\$ 327,080</u>	<u>\$ 198,998</u>

See Independent Auditors' Report

Special Revenue Funds				
<u>California Law Enforcement Eqpt. Program</u>	<u>Local Park Trust Fund</u>	<u>Supplemental Law Enforcement Services</u>	<u>PEG Fee Fund</u>	<u>Totals</u>
\$ -	\$ 586,797	\$ -	\$ 162,180	\$ 748,977
-	-	103,157	-	2,353,803
-	2,151	314	801	10,509
<u>-</u>	<u>588,948</u>	<u>103,471</u>	<u>162,981</u>	<u>3,113,289</u>
-	-	105,540	-	105,540
-	-	-	-	266,691
<u>-</u>	<u>-</u>	<u>105,540</u>	<u>-</u>	<u>372,231</u>
<u>-</u>	<u>588,948</u>	<u>(2,069)</u>	<u>162,981</u>	<u>2,741,058</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,052,397)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,052,397)</u>
-	588,948	(2,069)	162,981	688,661
<u>197</u>	<u>440,586</u>	<u>117,243</u>	<u>259,837</u>	<u>3,130,129</u>
<u>\$ 197</u>	<u>\$ 1,029,534</u>	<u>\$ 115,174</u>	<u>\$ 422,818</u>	<u>\$ 3,818,790</u>

See Independent Auditors' Report

## **SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

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

### Special Revenue Funds

- Gas Tax
- Measure M
- Air Quality Management District
- Supplemental Law Enforcement Services
- PEG Fee Fund

### Capital Projects Fund

- Capital Projects

### Debt Service Fund

- Debt Service

### Not Presented, no legal budget adopted, no anticipated activity

- California Law Enforcement Equipment Program
- Local Park Trust Fund

See Independent Auditors' Report

**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, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>POSITIVE (NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 1,400,809	\$ 1,400,809	\$ 1,630,920	\$ 230,111
Resources (inflows):				
Intergovernmental	1,438,558	1,438,558	1,562,204	123,646
Investment income	14,532	14,532	5,300	(9,232)
Amounts available for appropriation	<u>2,853,899</u>	<u>2,853,899</u>	<u>3,198,424</u>	<u>344,525</u>
Charges to appropriations (outflows):				
Public works - current	290,000	290,000	266,691	23,309
Transfers to other funds	2,327,230	2,327,230	1,206,744	1,120,486
Total charges to appropriations	<u>2,617,230</u>	<u>2,617,230</u>	<u>1,473,435</u>	<u>1,143,795</u>
Budgetary fund balances, June 30	<u>\$ 236,669</u>	<u>\$ 236,669</u>	<u>\$ 1,724,989</u>	<u>\$ 1,488,320</u>

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**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, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
Budgetary fund balances, July 1	\$ 378,914	\$ 378,914	\$ 446,329	\$ 67,415
Resources (inflows):				
Intergovernmental	648,654	648,654	628,265	(20,389)
Investment income	6,552	6,552	1,227	(5,325)
Amounts available for appropriation	<u>1,034,120</u>	<u>1,034,120</u>	<u>1,075,821</u>	<u>41,701</u>
Charges to appropriations (outflows):				
Transfers to other funds	1,027,093	1,027,093	748,741	278,352
Total charges to appropriations	<u>1,027,093</u>	<u>1,027,093</u>	<u>748,741</u>	<u>278,352</u>
Budgetary fund balances, June 30	<u>\$ 7,027</u>	<u>\$ 7,027</u>	<u>\$ 327,080</u>	<u>\$ 320,053</u>

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**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, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
Budgetary fund balances, July 1	\$ 215,590	\$ 215,590	\$ 235,017	\$ 19,427
Resources (inflows):				
Intergovernmental	59,400	59,400	60,177	777
Investment income	600	600	716	116
Amounts available for appropriation	<u>275,590</u>	<u>275,590</u>	<u>295,910</u>	<u>20,320</u>
Charges to appropriations (outflows):				
Transfers to other funds	272,000	272,000	96,912	175,088
Total charges to appropriations	<u>272,000</u>	<u>272,000</u>	<u>96,912</u>	<u>175,088</u>
Budgetary fund balances, June 30	<u>\$ 3,590</u>	<u>\$ 3,590</u>	<u>\$ 198,998</u>	<u>\$ 195,408</u>

See Independent Auditors' Report

**CITY OF RANCHO SANTA MARGARITA**  
**SUPPLEMENTARY LAW ENFORCEMENT SERVICES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>POSITIVE (NEGATIVE)</b>	<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 117,943	\$ 117,943	\$ 117,243	\$ (700)	
Resources (inflows):					
Intergovernmental	99,000	99,000	103,157		4,157
Investment income	1,000	1,000	314		(686)
Amounts available for appropriation	<u>217,943</u>	<u>217,943</u>	<u>220,714</u>		<u>2,771</u>
Charges to appropriations (outflows):					
Public safety - current	113,567	113,567	105,540		8,027
Total charges to appropriations	<u>113,567</u>	<u>113,567</u>	<u>105,540</u>		<u>8,027</u>
Budgetary fund balances, June 30	<u>\$ 104,376</u>	<u>\$ 104,376</u>	<u>\$ 115,174</u>		<u>\$ 10,798</u>

See Independent Auditors' Report

**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, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>POSITIVE (NEGATIVE)</b>	<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 158,238	\$ 158,238	\$ 259,837	\$ 101,599	
Resources (inflows):					
Fees and permits	160,000	160,000	162,180	2,180	
Investment income	-	-	801	801	
Amounts available for appropriation	<u>318,238</u>	<u>318,238</u>	<u>422,818</u>	<u>104,580</u>	
Budgetary fund balances, June 30	<u>\$ 318,238</u>	<u>\$ 318,238</u>	<u>\$ 422,818</u>	<u>\$ 104,580</u>	

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**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, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>POSITIVE (NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 898,223	\$ 898,223	\$ 430,960	\$ (467,263)
Resources (inflows):				
Intergovernmental	1,107,000	1,107,000	617,069	(489,931)
Investment income	-	-	1,344	1,344
Transfers from other funds	3,421,000	3,421,000	1,350,114	(2,070,886)
Amounts available for appropriation	<u>5,426,223</u>	<u>5,426,223</u>	<u>2,399,487</u>	<u>(3,026,736)</u>
Charges to appropriations (outflows):				
Public works	3,147,000	3,147,000	1,596,868	1,550,132
Capital Outlay	2,040,000	2,040,000	201,610	1,838,390
Total charges to appropriations	<u>5,187,000</u>	<u>5,187,000</u>	<u>1,798,478</u>	<u>3,388,522</u>
Budgetary fund balances, June 30	<u>\$ 239,223</u>	<u>\$ 239,223</u>	<u>\$ 601,009</u>	<u>\$ 361,786</u>

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**CITY OF RANCHO SANTA MARGARITA**  
**DEBT SERVICE FUND - MAJOR FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>POSITIVE (NEGATIVE)</b>	
Budgetary fund balances, July 1	\$ 2,348,392	\$ 2,348,392	\$ 2,351,627	\$ 3,235	
Resources (inflows):					
Investment income	-	-	5,676	5,676	
Transfers from other funds	800,238	800,238	800,238		-
Amounts available for appropriation	<u>3,148,630</u>	<u>3,148,630</u>	<u>3,157,541</u>		<u>8,911</u>
Charges to appropriations (outflows):					
Principal Retirement	430,000	430,000	430,000		-
Interest	370,238	370,238	370,238		-
Total charges to appropriations	<u>800,238</u>	<u>800,238</u>	<u>800,238</u>		-
Budgetary fund balances, June 30	<u>\$ 2,348,392</u>	<u>\$ 2,348,392</u>	<u>\$ 2,357,303</u>		<u>\$ 8,911</u>

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# Statistical Section

City of Rancho Santa Margarita, California

## STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

	<b>2014</b>	<b>2013</b>	<b>2012*</b>	<b>2011</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net Investment in Capital Assets	\$ 108,436,257	\$ 111,018,064	\$ 108,216,333	\$ 111,200,329
Restricted for:				
Public Safety	115,371	117,440	137,441	95,880
Public Works	3,703,419	3,012,689	2,468,544	3,481,064
Debt Service	2,357,303	2,351,627	848,392	852,271
Unrestricted	<u>14,065,311</u>	<u>12,381,485</u>	<u>17,147,323</u>	<u>14,328,948</u>
Total Governmental Activities				
Net Position	<u><u>\$ 128,677,661</u></u>	<u><u>\$ 128,881,305</u></u>	<u><u>\$ 128,818,033</u></u>	<u><u>\$ 129,958,492</u></u>
<b>PRIMARY GOVERNMENT</b>				
Net Investment in Capital Assets	\$ 108,436,257	\$ 111,018,064	\$ 108,216,333	\$ 111,200,329
Restricted for:				
Public Safety	115,371	117,440	137,441	95,880
Public Works	3,703,419	3,012,689	2,468,544	3,481,064
Debt Service	2,357,303	2,351,627	848,392	852,271
Unrestricted	<u>14,065,311</u>	<u>12,381,485</u>	<u>17,147,323</u>	<u>14,328,948</u>
Total Primary Government				
Net Position	<u><u>\$ 128,677,661</u></u>	<u><u>\$ 128,881,305</u></u>	<u><u>\$ 128,818,033</u></u>	<u><u>\$ 129,958,492</u></u>

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

Source: City Finance Division, Comprehensive Annual Financial Report (2005-2014)

2010	2009	2008	2007	2006	2005
\$ 112,583,691	\$ 111,994,564	\$ 110,152,663	\$ 112,633,691	\$ 114,598,789	\$ 116,793,296
128,859	138,057	178,529	210,445	224,639	198,267
4,925,379	4,581,004	4,625,130	3,218,553	5,044,761	4,089,607
854,699	853,179	868,427	868,883	868,498	870,578
13,078,887	13,623,344	16,733,118	16,165,385	11,209,879	7,611,925
<u>\$ 131,571,515</u>	<u>\$ 131,190,148</u>	<u>\$ 132,557,867</u>	<u>\$ 133,096,957</u>	<u>\$ 131,946,566</u>	<u>\$ 129,563,673</u>
\$ 112,583,691	\$ 111,994,564	\$ 110,152,663	\$ 112,633,691	\$ 114,598,789	\$ 116,793,296
128,859	138,057	178,529	210,445	224,639	198,267
4,925,379	4,581,004	4,625,130	3,218,553	5,044,761	4,089,607
854,699	853,179	868,427	868,883	868,498	870,578
13,078,887	13,623,344	16,733,118	16,165,385	11,209,879	7,611,925
<u>\$ 131,571,515</u>	<u>\$ 131,190,148</u>	<u>\$ 132,557,867</u>	<u>\$ 133,096,957</u>	<u>\$ 131,946,566</u>	<u>\$ 129,563,673</u>

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>EXPENSES</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,867,419	\$ 3,888,959	\$ 3,880,315	\$ 3,774,471
Building & Planning	1,056,954	1,100,413	948,779	1,147,306
Public Safety	7,756,218	7,574,596	7,564,128	7,527,342
Public Works	5,523,014	5,240,653	4,431,877	6,462,078
Capital Outlay	-	484,024	448,843	-
Interest Expense	365,344	329,313	528,210	539,942
Bond Issuance Costs	-	236,018	-	-
Total Governmental Activities Expenses	<u>18,568,949</u>	<u>18,853,976</u>	<u>17,802,152</u>	<u>19,451,139</u>
<b>PROGRAM REVENUES</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	370,213	332,013	391,960	421,986
Building and Planning	603,515	805,777	535,533	570,911
Public Safety	173,246	194,812	281,666	253,103
Public Works	50,058	103,438	225,528	106,590
Operating Contributions and Grants	3,402,535	3,561,137	2,965,391	3,169,109
Capital Contributions and Grants	-	-	-	-
Total Governmental Activities Program Revenues	<u>4,599,567</u>	<u>4,997,177</u>	<u>4,400,078</u>	<u>4,521,699</u>
<b>Total Net Revenues (Expenses)</b>	<b><u>\$ (13,969,382)</u></b>	<b><u>\$ (13,856,799)</u></b>	<b><u>\$ (13,402,074)</u></b>	<b><u>\$ (14,929,440)</u></b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
<b>Governmental Activities:</b>				
Taxes:				
Property Taxes	\$ 2,129,782	\$ 2,042,934	\$ 1,999,106	\$ 2,037,141
Sales Taxes	6,022,595	5,827,740	5,348,047	5,167,358
Real Property Transfer Taxes	284,486	271,322	230,916	235,626
Motor Vehicle License Fees	-	-	-	-
Motor Vehicle in-lieu tax, unrestricted intergovernmental	3,773,829	3,734,052	3,807,220	3,790,596
Prop 1A, unrestricted intergovernmental	-	-	-	-
Franchise fees	1,450,159	1,419,802	1,414,887	1,445,587
Investment Income	59,131	51,058	120,130	99,019
Contribution from other government entity - Settlement Agreement	-	-	-	-
Other	45,216	573,704	1,241,844	541,090
Total Governmental Activities	<u>13,765,198</u>	<u>13,920,612</u>	<u>14,162,150</u>	<u>13,316,417</u>
<b>Changes in Net Position</b>	<b><u>\$ (204,184)</u></b>	<b><u>\$ 63,813</u></b>	<b><u>\$ 760,076</u></b>	<b><u>\$ (1,613,023)</u></b>

Source: City Finance Division, Comprehensive Annual Financial Report (2005-2014)

	<b>2010</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>
\$	4,180,760	\$	4,542,993	\$	4,794,245	\$	4,235,381	\$	4,505,272	\$	5,016,167
	1,075,710		1,064,493		1,148,291		1,089,509		972,352		1,139,485
	7,829,913		8,040,476		7,642,333		6,440,965		6,033,988		5,746,796
	4,601,904		4,786,938		6,080,878		7,342,870		5,401,937		4,694,739
	-		-		-		-		-		-
	550,222		560,110		569,088		707,434		577,548		597,540
	-		-		-		-		-		-
	<u>18,238,509</u>		<u>18,995,010</u>		<u>20,234,835</u>		<u>19,816,159</u>		<u>17,491,097</u>		<u>17,194,727</u>

373,889	345,078	31,773	19,839	26,188	40,136
470,654	482,309	539,869	540,904	508,793	864,537
269,325	274,251	320,097	338,571	363,045	278,978
31,440	61,750	177,512	94,822	38,709	117,702
3,170,366	2,758,111	3,055,388	3,582,070	3,014,400	1,039,721
-	-	-	-	-	1,512,370
<u>4,315,674</u>	<u>3,921,499</u>	<u>4,124,639</u>	<u>4,576,206</u>	<u>3,951,135</u>	<u>3,853,444</u>
<u>\$ (13,922,835)</u>	<u>\$ (15,073,511)</u>	<u>\$ (16,110,196)</u>	<u>\$ (15,239,953)</u>	<u>\$ (13,539,962)</u>	<u>\$ (13,341,283)</u>

\$	1,465,724	\$	2,199,059	\$	2,261,933	\$	2,015,510	\$	1,449,752	\$	1,528,596
	4,481,302		5,145,381		6,400,424		6,325,108		6,365,432		5,935,350
	217,950		206,466		192,964		294,601		476,045		476,358
	-		-		-		-		-		-
	3,820,297		4,012,068		4,126,226		4,943,750		5,275,527		4,290,512
	598,935		-		-		-		-		-
	1,417,649		1,453,986		1,413,134		1,407,872		1,245,702		1,012,122
	123,100		422,358		904,939		1,054,180		631,305		364,559
	2,033,649		-		-		-		-		-
	145,595		266,475		271,486		349,323		479,089		501,701
	<u>14,304,201</u>		<u>13,705,793</u>		<u>15,571,106</u>		<u>16,390,344</u>		<u>15,922,852</u>		<u>14,109,198</u>
<u>\$ 381,366</u>	<u>\$ (1,367,718)</u>	<u>\$ (539,090)</u>	<u>\$ 1,150,391</u>	<u>\$ 2,382,890</u>	<u>\$ 767,915</u>						

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>GENERAL FUND</b>				
Nonspendable	\$ 6,524	\$ 11,026	\$ 183,016	\$ -
Restricted	-	-	58,982	-
Committed	1,694,971	61,353	172,428	55,892
Assigned	8,170,086	8,681,811	7,877,157	7,421,985
Unassigned	7,044,803	7,388,653	7,618,809	7,327,526
Total General Fund	<u><u>\$ 16,916,384</u></u>	<u><u>\$ 16,142,843</u></u>	<u><u>\$ 15,910,392</u></u>	<u><u>\$ 14,805,403</u></u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Committed for encumbrances	\$ 520,086	\$ 318,917	\$ 188,906	\$ 28,839
Restricted for debt service	2,357,303	2,351,627	848,392	852,271
Restricted roads, grants, parks	3,818,790	3,130,129	2,547,003	2,465,098
Assigned, Reported in:				
Capital Project Funds	80,923	112,043	894,372	-
Unassigned, Reported in:				
Capital Project Funds	-	-	-	1,083,007
Other	-	-	-	-
Total All Other Governmental Funds	<u><u>\$ 6,777,102</u></u>	<u><u>\$ 5,912,716</u></u>	<u><u>\$ 4,478,673</u></u>	<u><u>\$ 4,429,215</u></u>

Source: City Finance Division, HdL, Coren & Cone, Comprehensive Annual Financial Report (2005-2014)

2010	2009	2008	2007	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
59,085	37,810	157,204	46,426	-	-
13,463,475	13,955,115	16,904,167	16,042,455	12,778,446	9,578,780
3,192,501	2,639,821	2,708,598	2,602,150	3,877,746	3,118,222
<b>\$ 13,522,560</b>	<b>\$ 13,992,925</b>	<b>\$ 17,061,371</b>	<b>\$ 16,088,881</b>	<b>\$ 12,778,446</b>	<b>\$ 9,578,780</b>
<b>\$ 1,113,041</b>	<b>\$ 87,264</b>	<b>\$ 227,552</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>854,699</b>	<b>853,178</b>	<b>868,427</b>	<b>868,883</b>	<b>868,498</b>	<b>870,578</b>
-	-	-	-	-	-
-	-	-	-	-	-
748,696	1,991,978	1,867,508	826,848	1,391,654	1,169,652
<b>\$ 2,716,436</b>	<b>\$ 2,932,420</b>	<b>\$ 2,963,487</b>	<b>\$ 1,695,731</b>	<b>\$ 2,260,152</b>	<b>\$ 2,040,230</b>

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>				
Taxes	\$ 8,436,863	\$ 8,141,996	\$ 7,578,069	\$ 7,440,125
Fees & Permits	2,556,767	2,396,719	2,072,595	1,793,566
Intergovernmental	6,965,839	6,215,077	6,614,126	6,959,705
Charges for Services	666,155	805,971	657,598	755,808
Investment Income	59,131	51,058	120,130	99,019
Fines, forfeits and penalties	173,246	194,812	277,866	248,803
Other	45,216	1,243,584	571,964	541,090
Total Revenues	<u>18,903,217</u>	<u>19,049,217</u>	<u>17,892,348</u>	<u>17,838,116</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,820,255	3,857,850	3,856,873	3,739,202
Building and Planning	1,048,181	1,096,348	954,291	1,142,245
Public Safety	7,755,684	7,573,874	7,560,345	7,488,564
Public Works	3,627,789	3,435,804	2,642,796	4,193,615
Capital Outlay	213,143	725,596	887,336	633,846
Debt Service:				
Principal Retirement	430,000	315,000	305,000	295,000
Interest	370,238	399,910	531,260	542,523
Bond Issuance Costs		236,018	-	-
Total Expenditures	<u>17,265,290</u>	<u>17,640,400</u>	<u>16,737,901</u>	<u>18,034,995</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,637,927</u>	<u>1,408,817</u>	<u>1,154,447</u>	<u>(196,879)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,852,635	3,981,812	2,630,493	3,495,811
Transfers Out	(2,852,635)	(3,981,812)	(2,630,493)	(3,495,811)
Refunding bonds issued	-	11,230,000	-	-
Premium on refunding bonds issued	-	571,905	-	-
Payment to refunding bond escrow agent	-	(11,544,227)	-	-
Total Financing Sources (Uses)	<u>-</u>	<u>257,678</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,637,927</u>	<u>1,666,495</u>	<u>1,154,447</u>	<u>(196,879)</u>
Fund Balances, beginning of year	<u>22,055,559</u>	<u>20,389,064</u>	<u>19,234,618</u>	<u>19,431,497</u>
Fund Balances, end of year	<u>\$ 23,693,486</u>	<u>\$ 22,055,559</u>	<u>\$ 20,389,065</u>	<u>\$ 19,234,618</u>

<b>DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES</b>	4.69%	5.62%	5.28%	4.81%
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Note: Excludes infrastructure per Governmental Accounting Standards Board Statement No. 34

Source: City Finance Division, Comprehensive Annual Financial Report (2005-2014)

	<b>2010</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>
\$	6,763,911	\$	7,550,906	\$	8,855,321	\$	8,635,219	\$	8,291,229	\$	7,940,304
1,655,184		1,736,087		1,835,160		1,764,706		1,546,410		1,580,822	
6,990,663		6,770,179		8,381,614		7,325,820		8,288,428		6,842,601	
638,448		607,036		327,128		298,731		274,483		453,674	
123,100		422,358		904,939		1,054,180		631,304		364,561	
269,325		274,251		320,097		338,571		363,044		278,978	
145,595		266,475		271,486		349,323		479,089		501,701	
<u>16,586,226</u>		<u>17,627,292</u>		<u>20,895,745</u>		<u>19,766,550</u>		<u>19,873,987</u>		<u>17,962,641</u>	
4,097,146		4,496,860		4,740,844		4,807,153		4,902,918		4,876,998	
1,066,318		1,059,697		1,134,310		1,088,534		973,131		1,141,458	
7,823,666		8,019,896		7,623,419		6,434,622		6,028,949		5,740,329	
2,340,380		2,545,637		3,865,499		5,140,138		3,204,397		2,560,259	
549,624		3,831,109		348,737		250,138		9,932		10,121,622	
290,000		280,000		265,000		-		-		-	
552,760		562,385		571,241		575,547		575,548		575,540	
<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>	
<u>16,719,894</u>		<u>20,795,584</u>		<u>18,549,050</u>		<u>18,296,132</u>		<u>15,694,875</u>		<u>25,016,206</u>	
(133,668)		(3,168,292)		2,346,695		1,470,418		4,179,112		(7,053,565)	
2,361,221		2,592,624		2,271,638		3,310,023		2,244,604		7,644,226	
(2,361,221)		(2,592,624)		(2,271,638)		(3,310,023)		(2,244,604)		(7,644,226)	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>	
<u>(133,668)</u>		<u>(3,168,292)</u>		<u>2,346,695</u>		<u>1,470,418</u>		<u>4,179,112</u>		<u>(7,053,565)</u>	
<u>19,565,165</u>		<u>22,733,457</u>		<u>20,386,762</u>		<u>18,916,344</u>		<u>14,737,232</u>		<u>21,790,797</u>	
<u>\$ 19,431,497</u>		<u>\$ 19,565,165</u>		<u>\$ 22,733,457</u>		<u>\$ 20,386,762</u>		<u>\$ 18,916,344</u>		<u>\$ 14,737,232</u>	

5.21%                    4.97%                    4.59%                    3.19%                    3.67%                    3.86%

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Apparel Stores	*	\$ 10,191	\$ 9,954	\$ 9,443
General Merchandise	*	58,234	58,518	59,352
Food Stores	*	29,030	26,541	24,570
Eating & Drinking Places:	*	69,596	65,326	58,424
Building Materials	*	41,159	38,563	37,868
Auto Dealers & Supplies	*	133,267	127,017	106,622
Service Stations	*	61,531	65,052	62,258
Other Retail Stores	*	67,527	67,564	63,650
All Other Outlets	*	128,728	117,874	108,519
 Total	 *	 \$ 599,263	 \$ 576,409	 \$ 530,706
<b>City Direct Sales Tax Rate</b>		0.80%	0.80%	0.75%
			0.75%	0.75%

\*Data for fiscal year 2013-2014 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

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 9,969	\$ 9,931	\$ 10,509	\$ 12,299	\$ 12,741	\$ 12,916
57,327	56,745	57,815	62,513	60,142	54,446
24,547	25,255	25,573	26,696	27,593	25,790
56,463	56,967	58,668	62,545	61,050	58,101
35,295	33,198	37,791	45,135	46,458	48,238
83,228	80,822	132,500	173,397	191,551	180,404
50,822	42,070	51,922	46,646	45,228	41,935
60,949	62,567	77,892	87,338	94,202	90,167
102,230	96,463	119,607	136,697	132,498	119,953
<b>\$ 480,830</b>	<b>\$ 464,018</b>	<b>\$ 572,277</b>	<b>\$ 653,266</b>	<b>\$ 671,463</b>	<b>\$ 631,950</b>
0.75%	0.85%	0.75%	0.75%	0.75%	0.75%

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

<b>Fiscal Year</b>	<b>Sales and Use Tax</b>	<b>Property Tax</b>	<b>Real Property Transfer</b>	<b>Total</b>
2014	\$ 6,022,595	\$ 2,129,782	\$ 284,486	\$ 8,436,863
2013	5,827,740	2,042,934	271,322	8,141,996
2012	5,348,047	1,999,106	230,916	7,578,069
2011	5,167,358	2,037,141	235,626	7,440,125
2010	4,481,302	2,064,659	217,950	6,763,911
2009	5,145,381	2,199,059	206,466	7,550,906
2008	6,400,424	2,261,933	192,964	8,855,321
2007	6,325,108	2,015,510	294,601	8,635,219
2006	6,365,432	1,449,752	476,045	8,291,229
2005	5,935,350	1,528,596	476,358	7,940,304

Source: City Finance Division, Comprehensive Annual Financial Report (2004-2014)

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Miscellaneous Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Rate</b>
2014	\$ 5,633,393,974	\$ 487,305,663	\$ 429,694,341	\$ 214,774,326	-	\$ 6,765,168,304	0.03%
2013	5,537,751,127	485,112,928	412,328,785	244,030,547	-	6,679,223,387	0.03%
2012	5,531,375,422	471,169,396	408,247,722	214,027,762	-	6,624,820,302	0.03%
2011	5,494,764,386	477,885,672	413,512,495	216,438,704	-	6,602,601,257	0.03%
2010	5,446,579,878	474,216,684	427,647,694	268,050,952	-	6,616,495,208	0.03%
2009	5,732,867,423	380,038,052	305,419,495	479,713,183	-	6,898,038,153	0.03%
2008	5,819,200,351	373,671,244	286,424,261	497,659,141	-	6,976,954,997	0.03%
2007	5,477,649,646	370,791,656	269,361,787	453,170,650	-	6,570,973,739	0.03%
2006	4,990,738,000	353,751,230	261,808,655	383,406,176	-	5,989,704,061	0.03%
2005	4,555,259,930	342,546,269	238,993,681	365,193,604	-	5,501,993,484	0.03%

(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)**

<b>Agency</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
<b>Basic Levy<sup>1,5</sup></b>	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00972	0.01171	0.01101	0.01105
Metropolitan Water District	0.00350	0.00350	0.00370	0.00370
Metropolitan Water District Annex	0.00350	0.00350	0.00370	0.19120
Saddleback Valley Unified	0.03207	0.03265	0.03163	0.03194
Santa Margarita Water District	2.35710	4.67620	4.21220	4.22640
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>3.40589</b>	<b>5.72756</b>	<b>5.26224</b>	<b>5.46429</b>
 <b>City's Share of 1% Levy Per Prop 13<sup>3</sup></b>	0.02978	0.02978	0.02978	0.02978
<b>Total Direct Rate<sup>4,6</sup></b>	0.02978	0.02978	0.02978	0.02978

**Notes:**

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

<sup>2</sup>Overlapping 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.

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

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

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

<sup>6</sup>This tax rate does not include any Mello-Roos tax or special assessments.

Source: Orange County Assessor 2004/05 - 2013/14 Tax Rate Table

<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.01077	0.00971	0.01019	0.00947	0.01078	0.01191
0.00430	0.00430	0.00450	0.00470	0.00520	0.00580
0.19180	0.19180	0.19200	0.19220	0.19270	0.19330
0.03043	0.02834	0.02668	0.03694	0.03079	0.03626
4.98790	4.03430	2.78400	2.85940	3.02670	6.53500
<b>6.22520</b>	<b>5.26845</b>	<b>4.01737</b>	<b>4.10271</b>	<b>4.26617</b>	<b>7.78227</b>
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978

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

<b>Taxpayer</b>	<b>2014</b>			<b>2005</b>		
	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>
Applied Medical Resources Corporation	\$ 158,602,620	2.34%	1			
El Prado LLC	73,226,733	1.08%	2			
Cox Com, Inc	57,217,036	0.86%	3	\$ 64,239,163	1.17%	1
BRE Properties	47,285,791	0.70%	4	41,664,919	0.76%	3
Villa La Paz Partners LP	38,636,754	0.57%	5	33,296,666	0.61%	5
Antonio Acquisition Company	36,068,138	0.53%	6	29,801,365	0.54%	7
EQR Skyview LP	34,063,471	0.50%	7			
KCR Santa Margarita II LP	25,597,641	0.38%	8			
Crescent LP	25,343,791	0.37%	9			
FG RSM SR Apartment	25,069,536	0.37%	10			
Ralph's Grocery Company				33,878,741	0.62%	4
Northwestern Mutual Life				43,388,749	0.79%	2
ERP Operating Limited				29,505,374	0.54%	8
Sanyo Foods				32,141,714	0.58%	6
Pacific Mutual Life				25,527,004	0.46%	9
KRC Santa Margarita				23,209,383	0.42%	10
<b>Totals</b>	<b>\$ 521,111,511</b>	<b>7.71%</b>		<b>\$ 356,653,078</b>	<b>6.48%</b>	

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**

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Total Tax Collections</b>	<b>Percentage of Levy</b>
2014	\$ 1,943,941	\$ 1,894,716	97.47%	\$ 21,493	\$ 1,929,274	99.25%
2013	1,915,687	1,859,246	97.05%	31,560	1,897,089	99.03%
2012	1,898,324	1,778,174	93.67%	6,180	1,872,561	98.64%
2011	1,885,068	1,857,054	98.51%	62,096	1,857,053	98.51%
2010	1,886,013	1,234,269	65.44%	91,579	1,845,196	97.84%
2009	1,981,063	1,906,112	96.22%	93,040	1,912,628	96.55%
2008	1,986,995	1,910,346	96.14%	57,180	1,913,808	96.32%
2007	1,862,630	1,801,581	96.72%	33,987	1,813,177	97.34%
2006	1,445,537	1,419,756	98.20%	25,804	1,499,752	100.00%
2005	1,534,511	1,506,541	98.20%	22,087	1,528,596	99.61%

Source: O.C. Auditor-controller, City Finance Division, Comprehensive Annual Financial Report (2003-2014)

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Mitigation Obligation <sup>(3)</sup></b>	<b>Total Governmental Activities</b>	<b>As % of Personal Income <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2014	\$ -	\$ 10,800,000	\$ -	\$ -	-	0.54%	-
2013	-	11,230,000	-	-	-	0.56%	-
2012	-	-	11,360,000	-	11,360,000	0.59%	235
2011	-	-	11,665,000	-	11,665,000	0.58%	234
2010	-	-	11,960,000	-	11,960,000	0.55%	241
2009	-	-	12,250,000	-	12,250,000	0.60%	247
2008	-	-	12,530,000	-	12,530,000	0.80%	254
2007	-	-	12,795,000	600,000	13,395,000	0.83%	274
2006	-	-	12,795,000	1,000,000	13,795,000	0.85%	281
2005	-	-	12,795,000	1,000,000	13,795,000	*	282

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

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

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

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

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**

<b>Fiscal Year</b>	<b>Population</b>	<b>Total General Obligation Bonds</b>	<b>Less Debt Service Fund <sup>(1)</sup></b>	<b>Net Bonded Debt</b>	<b>Percent of Debt to Assessed Value<sup>(2)</sup></b>	<b>Debt per Capita</b>
2014	48,834	\$ -	\$ -	\$ -	0.00%	\$ -
2013	48,550	-	-	-	0.00%	-
2012	48,079	-	-	-	0.00%	-
2011	48,278	-	-	-	0.00%	-
2010	49,945	-	-	-	0.00%	-
2009	49,643	-	-	-	0.00%	-
2008	49,501	-	-	-	0.00%	-
2007	49,306	-	-	-	0.00%	-
2006	48,969	-	-	-	0.00%	-
2005	49,006	-	-	-	0.00%	-

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

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

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

**City of Rancho Santa Margarita**  
**Direct & Overlapping Bonded Debt**  
**June 30, 2014**

	<b>Rate Applies to</b>	<b>Gross Bonded Debt Balance</b>	<b>Percent Applicable to City</b>	<b>Net Bonded Debt</b>
<b>Direct Debt</b>				
A65.01 City of RSM Public Financing Authority		\$ 10,800,000	100%	<u>\$ 10,800,000</u>
<b>Total Direct Debt</b>				
				<u>10,800,000</u>
<b>Overlapping Debt</b>				
628.01 Capistrano Unified SFID#1 1999 Bond#2002C		22,965,000	1.52%	348,145
629.01 Capistrano Unified SFID#1 1999 Bond#2001B		12,124,930	1.52%	183,812
6AB.01 Saddleback Valley USD 2004 Bond#2004A		70,650,000	14.39%	10,167,765
6AW.01 Saddleback Valley USD 2004 Series B		44,065,000	14.39%	6,341,721
6CZ.01 Saddleback Valley USD 2013 Refunding		10,000,000	14.39%	1,439,174
*C55.14 Metro Water Dist-MWDOC-1205999		26,774,063	1.70%	455,879
C76.56 Santa Margarita Water ID#4-Bond	Land	117,470,000	43.11%	50,641,100
C76.58 Santa Margarita Water ID#3-Bond	Land	17,385,000	99.82%	17,354,134
<b>Total Overlapping Debt</b>				
				<u>86,931,730</u>
<b>Total Direct and Overlapping Debt</b>				
				<b>\$ 97,731,730</b>

2013/14 Assessed Valuation: \$6,765,136,005.

Debt To assessed Valuation Ratios:	Direct Debt	0.16%
	Overlapping Debt	1.28%
	Total Debt	1.44%

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

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

Source: HdL Companies

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Assessed Valuation	\$ 6,765,168,304	\$ 6,679,223,387	\$ 6,624,820,302	\$ 6,602,601,257
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 1,691,292,076	\$ 1,669,805,847	\$ 1,656,205,076	\$ 1,650,650,314
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 253,693,811	\$ 250,470,877	\$ 248,430,761	\$ 247,597,547
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Legal Debt Margin	<u>\$ 253,693,811</u>	<u>\$ 250,470,877</u>	<u>\$ 248,430,761</u>	<u>\$ 247,597,547</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

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 6,616,495,208	\$ 6,898,038,153	\$ 6,979,954,997	\$ 6,570,973,739	\$ 5,989,704,151	\$ 5,501,993,484
25%	25%	25%	25%	25%	25%
\$ 1,654,123,802	\$ 1,724,509,538	\$ 1,744,988,749	\$ 1,642,743,435	\$ 1,497,426,038	\$ 1,375,498,371
15%	15%	15%	15%	15%	15%
\$ 248,118,570	\$ 258,676,431	\$ 261,748,312	\$ 246,411,515	\$ 224,613,906	\$ 206,324,756
<hr/> <u> </u>					
<u>\$ 248,118,570</u>	<u>\$ 258,676,431</u>	<u>\$ 261,748,312</u>	<u>\$ 246,411,515</u>	<u>\$ 224,613,906</u>	<u>\$ 206,324,756</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**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income<sup>(1)</sup> (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Income per Median Household</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2014	48,834	\$ 1,978,412	\$ 40,513	\$ 102,975	34.7	5990	3.20%
2013	48,550	1,996,133	41,115	96,266	34.6	6354	3.60%
2012	48,079	1,914,458	39,819	97,853	34.1	6255	5.60%
2011	48,278	1,933,727	40,054	96,503	33.5	6143	6.20%
2010	49,945	2,174,555	43,539	100,166	32.7	5965	5.80%
2009	49,643	2,048,221	41,259	97,744	31.9	5842	5.50%
2008	49,501	1,566,261	31,641	106,222	31.9	5488	3.80%
2007	49,306	1,535,550	31,143	103,028	31.9	5454	2.60%
2006	48,969	1,505,441	30,743	99,967	31.9	5420	1.80%
2005	49,006	*	*	*	*	*	*

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

(1) Estimated for 2014

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

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

<b>Employer</b>	<b>2014</b>		<b>2007</b>	
	<b>Number of Employees</b>	<b>Percentage of Employment</b>	<b>Number of Employees</b>	<b>Percentage of Employment</b>
Applied Medical	2,500	7.98%	1,100	3.77%
Cox Communications	1200	3.83%	940	3.22%
O'Connell Landscape	980	3.13%	1,000	3.42%
Saddleback Valley School District	606	1.93%	572	1.96%
Lucas & Mercier Construction	553	1.77%	567	1.94%
Control Components Inc. (CCI)	370	1.18%	400	1.37%
Target Corporation	247	0.79%	300	1.03%
Car Sound Exhaust System, Inc.	207	0.66%	210	0.72%
Capistrano Unified School District	215	0.69%	200	0.68%
PADI	200	0.64%	200	0.68%
Santa Margarita Catholic H.S.	211	0.67%	200	0.68%

\* Data 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**

<b>FUNCTION</b>	<b>Full-Time and Part-Time Employees as of June 30</b>									
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
City Manager										
Full-Time	1.50	2.00	2.00	2.00	3.00	3.00	3.00	5.00	8.50	8.75
City Clerk										
Full-Time	3.40	2.80	2.80	2.80	2.60	2.60	2.60	2.38	2.38	2.50
Human Resources										
Full-Time	2.00	1.25	-	-	-	-	-	-	-	-
Finance										
Full-Time	3.58	4.08	-	-	-	-	-	2.35	2.00	2.00
Police Services										
Full-Time	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Bldg./Planning										
Full-time	3.85	3.00	3.00	3.75	3.60	3.50	3.50	7.00	4.75	4.75
Engr./Pub. Works										
Full-Time	3.50	3.00	3.00	3.00	3.00	3.00	3.00	4.55	4.55	4.50
Comm. Services										
Full-Time	6.37	6.25	-	-	-	-	-	2.25	2.25	2.50
Admin. Services										
Full-Time	-	-	11.32	11.07	14.10	8.60	8.35	-	-	-
<b>Total</b>	<b><u>25.20</u></b>	<b><u>23.38</u></b>	<b><u>23.12</u></b>	<b><u>23.62</u></b>	<b><u>27.30</u></b>	<b><u>21.70</u></b>	<b><u>21.45</u></b>	<b><u>24.53</u></b>	<b><u>25.43</u></b>	<b><u>26.00</u></b>

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 2014-2015

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

FUNCTION	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
General Government										
Civic Center/City Hall 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	3	3	3	3	3
Public Works										
Streets (Miles)	99	99	99	99	99	99	99	99	99	99
Traffic Signals	159	159	159	159	159	159	159	158	156	156
Community Services										
Dog Parks	1	1	1	1	1	1	1	1	1	1
Skate Parks	1	1	1	1	1	1	1	1	1	1

\*Data is not available.

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

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

FUNCTION	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government				
Financial Reports & Audits Completed	117	62	49	15
Checks/Wire Transfers	1,768	1,713	1,759	1,645
Police Services				
Physical Arrests	*	766	1,035	1,317
Parking Citations	*	1,516	1,120	1,613
Traffic Citations	*	1,931	2,857	3,184
Public Works				
Street Paving (miles)	23	92	8	13
Sidewalks replaced (sq. ft.)	4,809	-	1,025	3,973
Curb refurbished (linear feet)	280	13,351	15,500	19
Traffic signs replaced/installed	262	291	600	56
Pavement Condition Index (70 = min. acceptable)	81.5	78.5	79.2	77.9
Building and Planning				
Building Permits Issued	1,051	1,145	1,026	782
Building Inspections Completed	2,278	2,140	2,387	2,127
Plan Checks Performed	279	263	194	223
Community Services				
Recreational & Instructional Classes Offered	775	773	725	712
Senior Mobility Ride Vouchers	939	1,171	665	609
Community Events Attendance	18,000	18,000	17,500	15,000
Community Magazine Publications	3	3	3	3

\* Data not readily available.

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	12 2,502	12 1,664	12 2,355	7 2,152	6 2,389	7 2,401
	1,054 2,168 2,627	1,226 2,308 3,928	986 2,090 3,814	770 3,544 3,384	737 3,467 3,886	643 2,142 5,163
	30 8,585 1,614 458 76.5	6 4,000 23,000 536 76.5	25 2,975 19,769 559 76	15 1,443 12,726 432 73	51 3,118 14,526 304 70	15 2,300 11,200 438 78
	764 1,801 185	807 1,953 126	786 3,460 355	751 3,613 327	742 4,042 355	903 3,271 618
	460 623 17,000 3	134 422 30,500 3	102 440 30,000 3	121 145 19,300 3	106 688 17,900 3	122 585 2,500 3

**City of Rancho Santa Margarita**  
**Miscellaneous Statistics**  
**June 30, 2014**

Geographic Location:	The City of Rancho Santa Margarita is located 58 miles south east of Los Angeles and 450 miles south of San Francisco.
Population:	48,834
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	18
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