

CITY OF LAKE FOREST, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

Prepared by:

Finance Department

Kevin R. Shirah
Director of Finance/City Treasurer

**CITY OF LAKE FOREST
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL	i
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	vi
ORGANIZATIONAL CHART	vii
CITY OFFICIALS	viii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	5

FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Fiduciary Funds	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to Financial Statements	27

**CITY OF LAKE FOREST
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

REQUIRED SUPPLEMENTARY INFORMATION

Defined Benefit Pension Plan	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	70
Schedule of Pension Contributions	72
Other Postemployment Benefits Plan	
Schedule of Changes in the Net OPEB Liability and Related Ratios	74
Budgetary Comparison Schedules	
General Fund	76
Gas Tax Revenue Fund	77
Notes to Required Supplementary Information	78

SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule	
City Facilities Capital Projects and Improvement Fund – Major Fund	79
Other Governmental Funds	81
Combining Balance Sheet	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86
Budgetary Comparison Schedules	
Air Quality Improvement Special Revenue Fund	89
Supplemental Law Enforcement Grant Special Revenue Fund	90
Housing Authority Special Revenue Fund	91
AB 939 Special Revenue Fund	92
Beverage Recycling Special Revenue Fund	93
Community Development Block Grant Special Revenue Fund	94
Measure M Special Revenue Fund	95
CASP Program Special Revenue Fund	96
SB1383 Organic Waste Recycling Special Revenue Fund	97
Cal-Fire LHMP Special Revenue Fund	98
Lake Forest Transportation Mitigation Capital Projects Fund	99

**CITY OF LAKE FOREST
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

Park Development Capital Projects Fund	100
Affordable Housing Capital Projects Fund	101
FCPP Capital Projects Fund	102
Meadows Traffic Improvement Capital Projects Fund	103
Custodial Funds	105
Combining Statement of Fiduciary Net Position – All Custodial Funds	106
Combining Statement of Changes in Fiduciary Net Position – All Custodial Funds	107
STATISTICAL SECTION	
DESCRIPTION OF STATISTICAL SECTION CONTENTS	109
FINANCIAL TRENDS	
Net Position by Component	110
Changes in Net Position – Last Ten Fiscal Years	112
Fund Balances of Governmental Funds – Last Ten Fiscal Years	114
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	116
REVENUE CAPACITY	
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	118
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	119
Principal Property Taxpayers – Current Year and Nine Years Ago	121
Property Tax Levies and Collections – Last Ten Fiscal Years	122
DEBT CAPACITY	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	123
Direct and Overlapping Debt	124
Legal Debt Margin Information – Last Ten Fiscal Years	126

**CITY OF LAKE FOREST
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and Economic Statistics – Last Ten Calendar Years	127
Principal Employers – Current Year and Nine Years Ago	128

OPERATING INFORMATION

Full-Time and Part-Time City Employees by Function – Last Ten Fiscal Years	129
Operating Indicators by Function – Last Ten Fiscal Years	130
Capital Asset Statistics by Function – Last Ten Fiscal Years	131

INTRODUCTORY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK



Mayor
Doug Cirbo

Mayor Pro Tem
Mark Tetterer

Council Members
Robert Pequeño
Scott Voigts
Benjamin Yu

City Manager
Debra DeBruhl Rose

November 28, 2023

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lake Forest:

The City of Lake Forest Annual Comprehensive Financial Report “ACFR” for the fiscal year ended June 30, 2023, is submitted herewith; this report was prepared by the auditors and the Finance Department.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with generally accepted accounting principles (“GAAP”). Because the cost of internal controls should not outweigh the benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by CLA (CliftonLarsonAllen LLP), a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2023, are free of material misstatement. The independent audit involved examining on a test basis: evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (“clean”) opinion that the City’s financial statements for the fiscal year ended June 30, 2023, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

As a recipient of Federal, State, and County financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluations by management. Under the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the City met the criteria for periodic evaluation and, therefore, was required to have a single audit performed for fiscal year ended June 30, 2023.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors Report.

Profile of the Government

The City of Lake Forest ("City"), incorporated on December 20, 1991, in southern Orange County, California, in the area commonly referred to as the Saddleback Valley. It currently occupies 16.6 square miles and serves a population of 86,775. It is the County's 31st city and the 2nd largest city within the Saddleback Valley. The City is empowered by state statute to extend its corporate limits by annexation, which it has done twice in the City's history.

The City has operated under the council-manager form of government since 1991. Policy making and legislative authority are vested in a City Council consisting of the mayor and four council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Council members serve four-year staggered terms. The mayor serves a one-year term and is selected for the position annually by the City Council as a whole. As of the 2018 election, the City holds district-based elections, with voters electing a member of the Council from within their district. The City is divided into five City Council districts.

Lake Forest is a "contract city," primarily utilizing agreements with other governmental entities and private firms to provide traditional municipal services to the community. Through this process, the City provides a full range of services, including police protection; the construction and maintenance of highways, streets, and other infrastructure; recreational and cultural activities; and, building and safety, land use planning, and zoning control services. The City is financially accountable for the Lake Forest Housing Authority, which is reported separately within the City's financial statements. The County continues to provide library services, independent of the City. Fire services are provided by a joint powers authority of which the City is a member. Additional information regarding these legally separate entities can be found in the notes to the basic financial statements.

The City's budget serves as the foundation for the City's financial planning and control. All City departments are required to submit requests for appropriation to the City Manager in February on a biennial basis. The City Manager uses these requests as the starting point for developing a proposed budget. After a series of study sessions with Department Directors, the City Manager formally presents this proposed budget to the City Council for review in May of odd-numbered years preceding the commencement of the two-year budget cycle. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget on or around June 30, the close of the fiscal year. The current adopted budget is prepared by fund, program area, and program. The City Manager may transfer resources within and between programs and/or capital projects provided overall appropriations are not increased; and Council notification is required. All other changes to the budget require special approval from the City Council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

At the time of the development of the Fiscal Year 2021-23 budget, the City forecasted a stable but challenging economic environment as the City began reopening and resuming pre-pandemic activities. Due to immediate

constraints on social activities, impacts to transient occupancy tax (TOT) and sales tax revenues were anticipated to be the most negatively impacted. While sales tax revenues were able to recover at a more rapid pace, the City's TOT ended the year at pre-pandemic levels. The City's overall revenues have remained stable during this uncertain period.

Major industries located in the City include internationally known brand manufacturers of scientific and medical instruments, sunglasses and sports-related goggles, communication systems, hand and power tools, as well as financial institutions, real estate, and insurance companies. Included in a broad retail base are major national chain restaurants, general merchandise, home improvement and specialty stores, situated within various separate shopping centers.

Major sources of employment from industries and companies located within the City's boundaries include sales, office, and administrative support services (32.6%); professional and related occupations (20.9%); management, business, and financial operations (25.72%). In addition, companies contributing to the City's tax base are well diversified among general consumer goods, business and industry, restaurants, hotels, and autos/transportation.

During the last ten years, the national unemployment rate peaked at 11.8% in 2020. Unemployment levels have drastically decreased even as the labor force fluctuates. The City's unemployment rate stood at 3.5% at the end of June 2023 compared to 2.8% as of the prior June.

During the past ten years, the City's operating expenditure increases in the General Fund were primarily due to park additions, new neighborhoods, expansion of services, and street maintenance requirements as the City has matured. In the City's major cost centers, expenditures related to police services and public works account for the largest percentage of those increases. The City has contracted police protection services with the County of Orange since incorporation, and the contract represents approximately 35.3% of the General Fund operating budget. Public works cost increases have also been attributed to the City Council's dedication to infrastructure and landscape maintenance and an increase from 19 to 31 public parks over the past ten years. Other functions in the City have increased in scope and budget on a lesser scale.

During the same ten-year period, the City's General Fund operating revenues have grown, with the largest components being property taxes, sales tax, transient occupancy taxes, franchise fees, and motor vehicle in lieu fees (a majority of which are now backfilled from the State). Although maintaining prior revenues was programmed into the Fiscal Year 2021-23 budget, the City's economy held stable, and the budget was increased accordingly.

Long-Term Financial Planning

Unassigned fund balance in the General Fund of \$100.7 million exceeds the Target Reserve Level of the Risk Based Reserve Policy of \$56.6 million.

Every two years, the City's Seven-Year Strategic Business Plan ("Plan") is updated and approved by the Council. In the current Plan, the Council is now focused on three clear long-range goals:

1. A livable city that is well planned, attractive and safe.
2. A city that is engaged, informed and technologically current.
3. A city government that is fiscally sustainable and well-run with committed staff.

Over the past year, the City has shifted its focus to identifying and implementing policies and projects that position the City for success into the future. Projects initiated over the past year include, implementing a new ordinance that helped close Marijuana Dispensaries, continued progress on the City's Asset Management Plan and refining the City's employee classification system to increase employee retention.

To maintain the quality of life in Lake Forest into the future, it is critical to plan now for the repair and replacement of the City's physical assets – the streets, sidewalks, play equipment, artificial turf fields, bathroom roofs, etc. Asset Management Planning will allow the City to forecast and understand the long-term

maintenance and replacement costs of the City's infrastructure. The information gathered will allow the City to plan and set aside adequate funding in reserves to prevent an insurmountable growth of repair and replacement costs.

Relevant Financial Policies

The current Financial Management and Budgetary Policy was adopted on June 6, 2023, and establishes guidance for the following components of governance and financial functions:

- Long-Range Financial Planning and Budget
- Capital Planning
- Risk Based Reserves
- Fund Balance Management
- Revenues and Expenditures
- User Fees
- Accounting, Auditing and Financial Reporting
- Cash Management, Investments, and Banking Regulations

Major Initiatives

Strategic Economic Investment Project: The City's Strategic Economic Investment Program ("SEIP") assigned over eight million dollars in economic support funds to various business types. The intent of SEIP is to facilitate economic development for businesses that were impacted by the COVID-19 pandemic. The program launched with the Community Gift Card Program which allows residents and visitors to purchase a community gift card that works exclusively at local businesses that have signed up to participate in the program. People can purchase a gift card and will receive a matching gift card of the same value to be used at participating businesses.

Public Infrastructure Improvements: The City has maintained continuous emphasis on well-designed infrastructure and has sustained progress in completing traffic improvements. At this point, four Lake Forest Transportation Mitigation program projects are in design, with one project in construction. All three Foothill Circulation Phasing Plan projects are also in design. During Fiscal Year 2022-23 the City has completed the Baffin Bay median project, Sports Complex Paver Replacement, El Toro Park Improvements, Arbor Mini Park improvements, El Toro Road Traffic Signal Synchronization, and the Left Turn Phasing program.

Capital Improvement Plan: The 2021-23 budget cycle for the 2021-2028 Capital Improvement Plan (CIP) included twenty-five proposed projects, totaling \$19.4 million. These projects are designed to improve safety, traffic flow, median and parkway landscaping, and maintain the roadway network. Other projects include school crosswalk safety enhancements, signal synchronization projects with neighboring cities, traffic modeling to support the General Plan update, street asphalt resurfacing, and sidewalk rehabilitation. Also included in the CIP are numerous playground repairs and enhancements, including Park Gazebo repairs and playground resurfacing.

Responding to State Mandates: As State Mandates are established, the City is actively responding to meet obligations. The City submitted a State-Approved Housing Element, becoming one of the only cities in Orange County at the time to receive a positive response from the State Department of Housing and Community Development. The City also implemented mixed-use zoning standards in compliance with State law while preserving local input.

Engaging the Community: The City prioritizes communication with residents through various channels including the Community Satisfaction Survey and regular "Pop-up" City Hall events. To enhance accessibility, the City's new website has been launched with a translation feature, ensuring that language is not a barrier to information access. In response to the growing community interest in

pickleball, the City has expanded offerings related to the sport. Additionally, a Storytelling Festival has been added to the calendar as well as author speaking engagements at the Civic Center. During Fiscal Year 2022-23 the first Leadership Academy Graduate course commenced where graduates participated in a discussion regarding industry growth and potential impacts to the community.

Public Safety: The City has continued prioritizing public safety through the Neighborhood Watch program, updates to the Emergency Plan, and the promotion of crime prevention programs such as the “Don’t Make it Easy” program. The City’s Community Emergency Response Team graduates completed “Train the Trainer” course and are now training their first class of new recruits in basic training classes that ensure residents have the tools and skills necessary to handle emergency situations. The Orange County Sheriff’s Department will continue its enforcement and community safety programs to maintain the City’s low crime rate and high quality of life. During Fiscal Year 2022-23 as part of SEIP, the City launched the Catalytic Converter Theft Mitigation Program offering free etching and painting, as well as gift cards to offset the costs of purchasing and installing a catalytic converter theft deterrent shield on their vehicles.

The Fiscal Year 2023-25 Budget is balanced and reflects appropriate measures to ensure prudent care of the City’s finances while maintaining high quality service levels to the community. During the year, the City will carefully monitor developments at the Federal, State, and County levels that could affect municipal operations and its ability to fund programs and services.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the Fiscal Year ended June 30, 2022. This was the twenty-ninth consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This 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. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the City’s entire management team and staff of the Finance Department. The dedicated efforts of the Finance Department are demonstrated in the preparation of the final financial documents and are reflected in the quality of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City’s finances.

Respectfully Submitted,



Debra Rose
City Manager



Kevin R. Shirah
Director of Finance/City Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lake Forest
California**

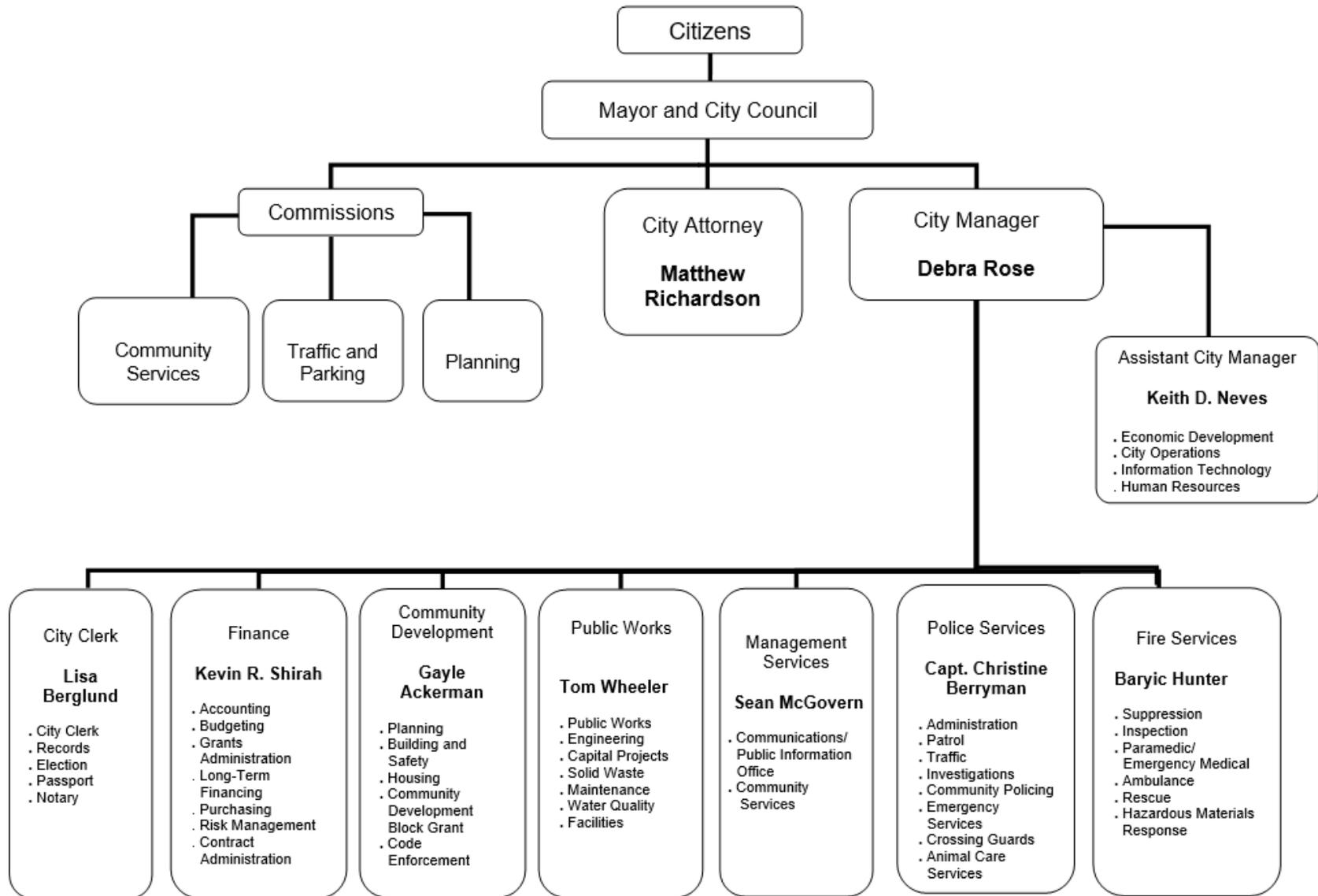
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

ORGANIZATIONAL CHART



**CITY OF LAKE FOREST
CITY OFFICIALS
YEAR ENDED JUNE 30, 2023**

City Council

Doug Cirbo, Mayor
Mark Tettemer, Mayor Pro Tem
Robert Pequeño, Council Member
Scott Voigts, Council Member
Benjamin Yu, Council Member

City Manager

Debra Rose

Gayle Ackerman, Director of Community Development
Sean McGovern, Deputy City Manager
Baryic Hunter, Division Chief - Fire Services
Lisa Berglund, City Clerk
Keith D. Neves, Assistant City Manager
Matthew Richardson, City Attorney
Kevin R. Shirah, Director of Finance/City Treasurer
Captain Christine Berryman, Chief of Police Services
Tom Wheeler, Director of Public Works/City Engineer

Prepared by the Finance Department

FINANCIAL SECTION

THIS PAGE IS INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Lake Forest
Lake Forest, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter - Changes in Accounting Principle

During the fiscal year ended June 30, 2023, the City adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions regarding the defined benefit pension plan, the schedule of changes in the net OPEB liability and related ratios and the General Fund and major special revenue fund budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and City Council
City of Lake Forest

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Irvine, California
November 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

As management of the City of Lake Forest ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage the readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements.

Financial Highlights

Government-Wide

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$552.7 million (net position). Of this amount, \$111.4 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$20.2 million. This increase is attributable to revenues being in excess of expenses.
- Total revenues from all sources were \$94.2 million as compared to the cost for all City programs of \$74.0 million.

Further discussion of changes in net position, revenues, and expenses is included in the Government-wide Financial Analysis section.

Fund Based

- Total governmental fund balances were \$200.7 million. Non-spendable were \$0.04 million, restricted were \$92.8 million, assigned were \$7.1 million, and unassigned were \$100.7 million.
- Total governmental fund balances increased by \$36.7 million. This increase is attributable to an excess of revenues as compared to expenditures.
- Total governmental revenues from all sources were \$97.7 million as compared to expenditures of \$61.8 million.

Further discussion of revenues and expenditures is included in the Financial Analysis of the Government's Funds section.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. These 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 residual reported as net position. In time, increases or decreases in 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 on how the City's net position changed during the 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 include not only the City itself (known as the primary government), but also the legally-separate Lake Forest Housing Authority (Housing Authority) and the Rancho Cañada Financing Authority (Financing Authority) for which the City are financially accountable. Financial information for the Housing Authority (a component unit) is reported separately from the financial information presented for the primary government itself. The Housing and Financing Authorities are presented as other governmental funds. The Housing and Financing Authorities function for all practical purposes as departments of the City, and therefore, have been included as an integral part of the primary government. The City does not account for any of its services on a business-type activity basis.

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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 City'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 government-wide activities.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Gas Tax Special Revenue Fund, and City Facilities Capital Projects and Improvement Fund, which are all considered to be major funds. Data from the other 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 City adopts a two-year appropriated budget for all governmental funds. A budgetary comparison statement has been provided for each of the funds with appropriated budgets to demonstrate compliance with these budgets.

The *Private-Purpose Trust Fund* is a fiduciary fund used to account for the activities of the Successor Agency to the Lake Forest Redevelopment Agency.

Custodial Funds are fiduciary funds used to account for assets for which the City acts solely in a custodial capacity. This includes collection of fees imposed by and distributed to other organizations.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$552.7 million at the close of the most recent fiscal year. By far, the largest portion of the City's net position (63.0%) reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment).

Table 1
Net Position
(in millions)

	Governmental Activities	
	2023	2022
Current and other assets	\$ 208.1	\$ 179.8
Capital assets	349.1	355.1
Restricted cash with pension trust	3.1	4.6
Total assets	560.3	539.5
Deferred outflows of resources:		
Deferred amount from pension plans	5.5	5.6
Current and other liabilities	7.9	9.4
Non-current liabilities	4.0	1.6
Total liabilities	11.9	11.0
Deferred inflows of resources:		
Deferred amount from pension and OPEB plans	0.9	1.2
Deferred amount from public-private partnership	0.3	0.4
Total deferred inflows of resources	1.2	1.6
Net position:		
Net investment in capital assets	348.4	354.9
Restricted	92.9	73.0
Unrestricted	111.4	104.6
Total net position	\$ 552.7	\$ 532.5

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

An additional portion of the City's net position (16.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$111.4 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$20.2 million during the current fiscal year. Key elements of the changes are as follows:

Total revenues were \$94.2 million as compared to prior year revenues of \$95.3 million and material variances from prior year are described below.

- Charges for services decreased by \$1.1 million, primarily attributable to a decrease in development activity.
- Operating grants and contributions decreased by \$8.8 million, primarily attributable to American Rescue Plan Act (ARPA) funds received from the US Treasury in prior fiscal year.
- Capital grants and contributions increased by \$0.4 million, primarily attributable to a the Permanent Local Housing Allocation Program funding grant funding.
- Property taxes increased by \$1.2 million, primarily attributable to the new residential housing development in recent years.
- Sales taxes increased by \$0.03 million, primarily attributable to an increase in receipt of sales taxes due as a result of the growth in taxable sales.
- Transient occupancy taxes increased by \$0.6 million attributable to an increase in hotel occupancy and the resulting hotel taxes paid.
- Investment income increased by \$6.1 million attributable to an increase in interest earned on investments in the high interest yield environment. The investment income also includes an adjustment for fair value per GASB 31 in the amount of a negative \$.5 million, opposed to the negative \$1.5 million in the prior year.

Total costs for all City programs were \$74.0 million as compared to prior year costs of \$57.8 million and material variances from prior year are described below.

- General government costs increased by \$18.2 million attributable to pension accounting adjustments in compliance with GASB 68. This year the increase of the liability is \$6.8 million, compared to the decrease of \$8.9 in the prior year.
- Public works costs decreased by \$3.8 million attributable to lower than anticipated operational and maintenance costs during the year.

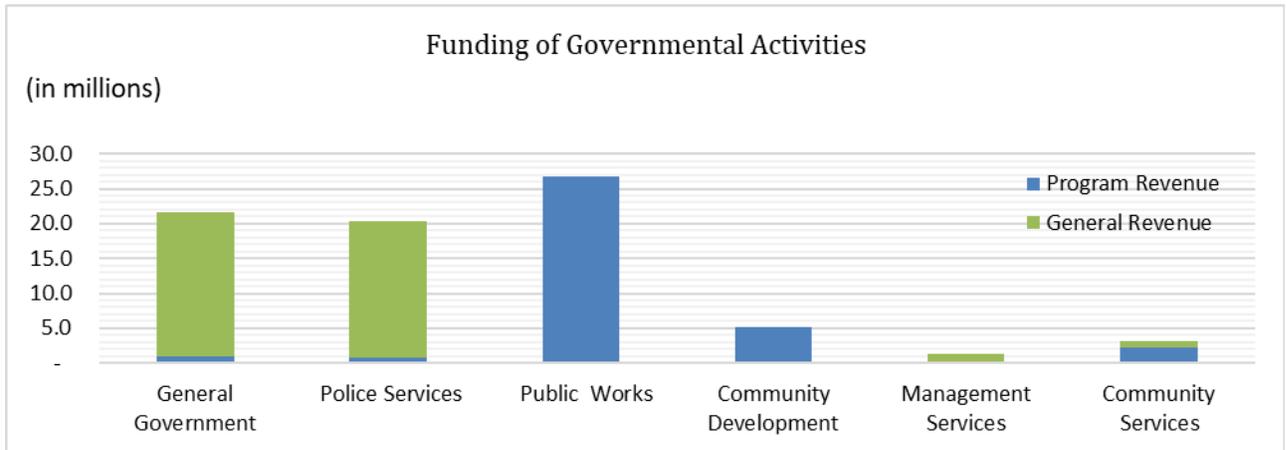
Community Services cost increased by \$1.0 million attributable to increased personnel and contracting classes due to expanded programming.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Table 2
Changes in Net Position
(in millions)

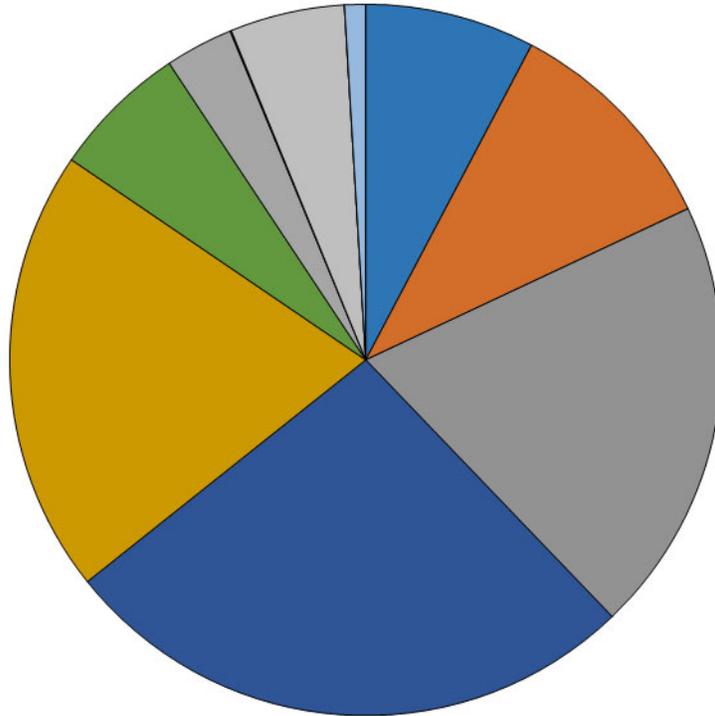
	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 7.3	\$ 8.4
Operating grants and contributions	9.7	18.5
Capital grants and contributions	18.7	18.3
General revenues:		
Taxes:		
Property taxes	24.9	23.7
Transient occupancy taxes	5.8	5.2
Franchise taxes	2.9	2.6
Other taxes	0.1	0.1
Intergovernmental - sales tax	19.0	19.0
Investment income	4.9	(1.2)
Gain on sale of capital assets	-	-
Other	0.9	0.7
Total revenues	<u>94.2</u>	<u>95.3</u>
Expenses:		
General government	21.6	3.3
Public safety	20.4	19.6
Public works	23.7	27.6
Community development	3.8	4.0
Management services	1.3	1.1
Community services	3.2	2.2
Interest on long-term liabilities	-	-
Total expenses:	<u>74.0</u>	<u>57.8</u>
Change in net position	20.2	37.5
Net position at beginning of year	<u>532.5</u>	<u>495.0</u>
Net position at end of year	<u>\$ 552.7</u>	<u>\$ 532.5</u>

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**



**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Revenues by Source - Governmental Activities



- Charges for services
- Operating Grants and Contributions
- Capital Grants and Contributions
- Property taxes
- Sales taxes
- Transient occupancy taxes
- Franchise taxes
- Other taxes
- Investment income
- Insurance Proceeds
- Other

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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 is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$200.7 million, an increase of \$36.7 million in comparison with the prior year. Of this amount, \$0.04 million is non-spendable, \$92.8 million is for a variety of restricted purposes, \$7.1 million is assigned to be used for specific purposes through the City Council budgetary actions, and \$100.7 million is unassigned which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$100.7 million, while total fund balance reached \$111.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund operating expenditures. Unassigned fund balance represents 183% of total General Fund expenditures, while total fund balance represents 202% of that same amount.

Fund balance in the City's General Fund increased \$18.2 million during the current fiscal year. Key factors in this increase are as follows:

- Revenues increased by \$6.6 million. Taxes increased by \$2 million, primarily attributable to residential development and a rebound in Transient Occupancy Tax. Both Licenses and Permits revenues as well as Sales tax slightly decreased, without a major impact on Fund Balance. Investment income increased by \$6.1 million due to a higher rate of return on investments.
- Expenditures increased by \$6.2 million. General Government expenditures increased by \$3.0 million attributable to higher operating costs, including salaries, wages, and information technology. Capital Outlay expenditures increased by \$1.5 million attributable to the completion of various park renovations. The remaining portion is related to smaller variances in various expenditure accounts in other departments.

The City has two other major funds, the Gas Tax Special Revenue Fund and City Facilities Improvement Fund.

The Gas Tax Special Revenue Fund is used to account for revenue and expenditures of money appropriated under Streets and Highways Code Sections 2105, 2106, 2107, 2107.5 and Proposition 1B of the State of California. These funds are earmarked for maintenance, rehabilitation, or improvement of public streets. This fund ended the year with an increase in fund balance of \$1.6 million. Expenditures decreased by \$3.3 million due to the timing and funding of street repaving and slurry seal.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The City Facilities Improvement Fund is used to account for costs related to city facilities construction and improvements. This fund ended the year with an increase in fund balance of \$13.9 million. Revenues increased by \$2.9 million, attributable to an increase in activity related to negotiated developer agreements.

General Fund Budgetary Highlights

Revenues

The difference between the original and final amended budgeted revenues was an increase of \$10.0 million. The most notable mid-year revenue adjustments included an increase in Investment Income (\$2.0 million) and an increase in Intergovernmental (\$6.5 million) which was attributable to the City's receipt of ARPA funding.

Actual revenues were more than budgeted amounts by \$5.7 million. Tax revenues were more than budgeted by \$1.9 million, due to a rebound in Transient Occupancy Tax receipts. Sales tax revenues were more than budgeted by \$0.2 million, from an increase in underlying sales activity. Investment Income revenues were \$2.3 million more than budgeted due to a higher rate of return.

Expenditures

The difference between the original and final amended budgeted expenditures was \$10.0 million. The most notable adjustments were a \$5.7 million increase to Capital Outlay and a \$1.8 million increase in the Economic Development of the City Manager's office for the Strategic Economic Investment Program (SEIP). The remaining adjustments related to smaller variances in various expenditure accounts in other departments.

Total expenditures were under budgeted amounts of \$8.1 million primarily attributable to Capital Outlay, City Manager, and Finance expenditure savings of anticipated costs within the departments during the year. The remaining portion related to smaller variances in various expenditure accounts in other departments.

Capital and Lease Assets

The City's investment in capital and lease assets for its governmental activities as of June 30, 2023, amounts to \$349.1 million, net of accumulated depreciation.

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

- Construction commitments increased by \$4.5 million.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

City of Lake Forest - Capital Assets
(net of depreciation)
(in millions)

	Governmental Activities	
	2023	2022
Land	\$ 120.6	\$ 120.6
Machinery and equipment	0.1	0.1
Buildings and improvements	86.1	90.1
Construction in progress	5.9	1.4
Improvements other than buildings	26.9	27.9
Infrastructure:		
Streets	53.3	56.4
Curbs, gutters and sidewalks	19.4	20.3
Storm drain system	9.5	10.0
Traffic signal system	3.1	3.2
Medians	7.2	7.9
Park improvements	16.3	17.2
SBITAs	0.7	0.0
TOTAL	\$ 349.10	\$ 355.13

Additional information on the City's capital assets can be found in Note 5 in the Financial Section of this report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$4.0 million, an increase of \$2.4 million from the prior fiscal year. Total long-term debt outstanding represents the compensated absences, net OPEB liability, and commitments related to GASB 87 leases and GASB 96 subscription-based information technology arrangements.

City of Lake Forest - Long-Term Liabilities
(in millions)

	2023	2022
Net OPEB liability	0.3	0.6
Net pension liability	2.2	-
Leases payable	0.02	0.03
Compensated absences	1.0	1.0
SBITA Liabilities	0.5	-
Total	4.02	1.63

Additional information on the City's lease payable, SBITA liabilities, long-term liabilities, net OPEB liabilities, and net pension liabilities can be found in Notes 7, 8, 9, and 14, respectively, in the Financial Section of this report.

Economic Factors and Next Year's Budgets and Rates

The June 30, 2023, unemployment rate for the City was 3.5% as compared to the rate of 2.5% one year ago. The City's rate compares favorably to the State's unemployment rate of 4.9% and comparable to the national average rate of 3.6%.

The City's Fiscal Year 2023-24 Operating Budget takes into account the historical trends of property, hotel, and sales taxes. The Operating Budget will be fully reviewed at mid-year to assess any changes to revenue as additional information is available about overall economic conditions.

General Fund operating expenditures have been projected to remain relatively stable for the next five years. The City's General Fund is balanced in the Operating Budget for Fiscal Years 2023-25 and all reserves are fully funded.

All of these factors were considered in preparing the City's Budget for Fiscal Years 2023-25.

Requests for Information

This financial report is designed to provide a general overview of the City of Lake Forest's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Lake Forest, 100 Civic Center Drive, Lake Forest, California 92630.

FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 192,566,973
Receivables:	
Taxes	1,537,524
Accounts	307,652
Interest	991,081
Grants	1,692,679
Loans	2,382,152
Public-Private Partnership	310,615
Notes	4,558,300
Due from Other Governments	3,677,467
Prepaid Items	35,002
Restricted Cash with Pension Trust	3,117,363
Capital Assets:	
Not Being Depreciated	126,544,268
Being Depreciated, Net	221,982,298
Lease Assets, Net	20,398
SBITA Assets, Net	552,676
Total Assets	560,276,448
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount from Pension Plans	4,585,808
Deferred Amount from OPEB	904,966
Total Deferred Outflows of Resources	5,490,774
LIABILITIES	
Accounts Payable	4,157,369
Accrued Salaries and Benefits	165,268
Retentions Payable	174,084
Deposits Payable	3,211,002
Unearned Revenue	131,539
Noncurrent Liabilities:	
Compensated Absence - Due Within One Year	610,300
Compensated Absence - Due in More than One Year	442,480
Leases Payable - Due Within One Year	14,766
Leases Payable - Due in More One Year	5,956
SBITA Liabilities - Due Within One Year	162,629
SBITA Liabilities - Due in More One Year	314,047
Net Pension Liability - Due in more than One Year	2,208,314
Net OPEB Liability - Due in More than One Year	270,599
Total Liabilities	11,868,353
DEFERRED INFLOWS OF RESOURCES	
Deferred Amount Related to Public-Private Partnership	314,815
Deferred Amount from Pension Plans	82,749
Deferred Amount from OPEB	812,109
Total Deferred Inflows of Resources	1,209,673
NET POSITION	
Net Investment in Capital Assets	348,428,158
Restricted:	
Low- and Moderate-Income Housing	8,753,099
Community Development	2,183,007
Public Safety	316,140
Public Works	80,306,421
Community Services	459,357
Pension Benefits	909,049
Unrestricted	111,333,965
Total Net Position	\$ 552,689,196

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 21,607,469	\$ 33,092	\$ 906,815	\$ -	\$ (20,667,562)
Public Safety	20,389,023	401,593	289,829	-	(19,697,601)
Public Works	23,656,425	1,378,911	7,616,232	17,726,605	3,065,323
Community Development	3,818,646	3,363,755	784,523	942,814	1,272,446
Management Services	1,302,142	-	-	-	(1,302,142)
Community Services	3,197,313	2,085,381	102,023	-	(1,009,909)
Interest on Long-Term Liabilities	3,265	-	-	-	(3,265)
Total Governmental Activities	\$ 73,974,283	\$ 7,262,732	\$ 9,699,422	\$ 18,669,419	(38,342,710)
GENERAL REVENUES					
Taxes:					
Property Tax, Levied for General Purpose					24,912,549
Transient Occupancy Tax					5,818,578
Franchise Tax					2,908,051
Other Taxes					53,111
Unrestricted Intergovernmental - Sales Tax					19,049,883
Investment Income					4,903,933
Other					901,239
Total General Revenues					58,547,344
CHANGE IN NET POSITION					
					20,204,634
Net Position - Beginning of Year					532,484,562
NET POSITION - END OF YEAR					
					\$ 552,689,196

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

ASSETS	General	Special Revenue Fund Gas Tax
Cash and Investments	\$ 108,590,058	\$ 3,200,829
Cash and Investments with Pension Trust	3,117,363	-
Receivables:		
Taxes	1,537,524	-
Accounts	190,424	117,228
Interest	991,081	-
Grants	179,098	-
Loans	-	-
Public-Private Partnership	310,615	-
Notes	-	-
Due from Other Governments	2,784,755	532,205
Due from Other Funds	161,236	-
Prepaid Items	35,002	-
	<u>\$ 117,897,156</u>	<u>\$ 3,850,262</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 2,895,741	\$ 423,997
Accrued Salaries and Benefits	165,268	-
Retentions Payable	89,036	-
Due to Other Funds	-	-
Deposits Payable	3,211,002	-
Unearned Revenues	131,539	-
Total Liabilities	<u>6,492,586</u>	<u>423,997</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues	115,587	114,125
Amounts Related to Public-Private Partnership	314,815	-
Total Deferred Inflows of Resources	<u>430,402</u>	<u>114,125</u>
FUND BALANCES		
Nonspendable	35,002	-
Restricted	3,117,363	3,312,140
Assigned	7,134,413	-
Unassigned	100,687,390	-
Total Fund Balances	<u>110,974,168</u>	<u>3,312,140</u>
	<u>\$ 117,897,156</u>	<u>\$ 3,850,262</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 117,897,156</u>	<u>\$ 3,850,262</u>

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	<u>Capital Projects Fund City Facilities Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 43,845,626	\$ 36,930,460	\$ 192,566,973
Cash and Investments with Pension Trust	-	-	3,117,363
Receivables:			
Taxes	-	-	1,537,524
Accounts	-	-	307,652
Interest	-	-	991,081
Grants	-	1,513,581	1,692,679
Loans	-	2,382,152	2,382,152
Public-Private Partnership	-	-	310,615
Notes	764,300	3,794,000	4,558,300
Due from Other Governments	-	360,507	3,677,467
Due from Other Funds	-	-	161,236
Prepaid Items	-	-	35,002
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 44,609,926</u>	<u>\$ 44,980,700</u>	<u>\$ 211,338,044</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,379	\$ 832,252	\$ 4,157,369
Accrued Salaries and Benefits	-	-	165,268
Retentions Payable	-	85,048	174,084
Due to Other Funds	-	161,236	161,236
Deposits Payable	-	-	3,211,002
Unearned Revenues	-	-	131,539
Total Liabilities	<u>5,379</u>	<u>1,078,536</u>	<u>8,000,498</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	764,300	1,367,754	2,361,766
Amounts Related to Public-Private Partnership	-	-	314,815
Total Deferred Inflows of Resources	<u>764,300</u>	<u>1,367,754</u>	<u>2,676,581</u>
FUND BALANCES			
Nonspendable	-	-	35,002
Restricted	43,840,247	42,599,602	92,869,352
Assigned	-	-	7,134,413
Unassigned	-	(65,192)	100,622,198
Total Fund Balances	<u>43,840,247</u>	<u>42,534,410</u>	<u>200,660,965</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 44,609,926</u>	<u>\$ 44,980,700</u>	<u>\$ 211,338,044</u>

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Fund Balances - Total Governmental Funds \$ 200,660,965

Amounts reported for governmental activities in the statement of net position are different because:

Capital and lease assets net of depreciation have not been included as financial resources in governmental funds.

Capital Assets	\$ 535,022,095	
Lease Assets	48,135	
SBITA Assets	676,699	
Accumulated Depreciation and Amortization	<u>(186,647,289)</u>	
Total		349,099,640

Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources, unavailable revenues, in the fund financial statements.

2,361,766

Long-term liabilities and related accrued interest payable are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:

Compensated Absences		(1,052,780)
Lease Payable		(20,722)
SBITA Liabilities		(476,676)

The net pension liability applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.

Deferred Outflows of Resources Related to Pension	4,585,808	
Deferred Inflows of Resources Related to Pension	(82,749)	
Net Pension Liability	<u>(2,208,314)</u>	
Total		2,294,745

The net OPEB liability applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.

Deferred Outflows of Resources Related to OPEB	904,966	
Deferred Inflows of Resources Related to OPEB	(812,109)	
Net OPEB Liability	<u>(270,599)</u>	
Total		<u>(177,742)</u>

Net Position of Governmental Activities \$ 552,689,196

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	General	Special Revenue Fund Gas Tax
REVENUES		
Taxes	\$ 33,692,289	\$ -
Licenses and Permits	2,765,576	-
Intergovernmental	6,825,273	4,133,215
Intergovernmental - Sales Tax	19,049,883	-
Charges for Services	4,345,785	-
Developer Contributions	368,220	-
Fines and Forfeitures	511,109	-
Investment Income	4,619,311	58,981
Other	601,451	3,103
Total Revenues	72,778,897	4,195,299
EXPENDITURES		
Current:		
General Government	11,159,737	-
Public Safety	20,146,501	-
Public Works	12,860,114	2,081,044
Community Development	3,368,231	-
Management Services	1,269,215	-
Community Services	3,117,106	-
Capital Outlay	2,889,758	538,354
Debt Service:		
Principal Retirement - Leases	14,040	-
Principal Retirement - SBITAs	132,598	-
Interest - Leases	1,523	-
Interest - SBITAs	1,742	-
Total Expenditures	54,960,565	2,619,398
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,818,332	1,575,901
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	-	-
SBITA Financing	417,355	-
Total Other Financing Sources	417,355	-
NET CHANGE IN FUND BALANCES	18,235,687	1,575,901
Fund Balances - Beginning of Year	92,738,481	1,736,239
FUND BALANCES - END OF YEAR	\$ 110,974,168	\$ 3,312,140

See accompanying Notes to Financial Statements.

CITY OF LAKE FOREST
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	<u>Capital Projects Fund City Facilities Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ -	\$ -	\$ 33,692,289
Licenses and Permits	-	-	2,765,576
Intergovernmental	-	3,141,365	14,099,853
Intergovernmental - Sales Tax	-	-	19,049,883
Charges for Services	-	10,405	4,356,190
Developer Contributions	13,895,711	2,835,869	17,099,800
Fines and Forfeitures	-	-	511,109
Investment Income	-	801,819	5,480,111
Other	-	78,195	682,749
Total Revenues	<u>13,895,711</u>	<u>6,867,653</u>	<u>97,737,560</u>
EXPENDITURES			
Current:			
General Government	-	-	11,159,737
Public Safety	-	225,000	20,371,501
Public Works	-	179,829	15,120,987
Community Development	-	450,415	3,818,646
Management Services	-	-	1,269,215
Community Services	-	72,281	3,189,387
Capital Outlay	29,688	3,236,818	6,694,618
Debt Service:			
Principal Retirement - Leases	-	-	14,040
Principal Retirement - SBITAs	-	-	132,598
Interest - Leases	-	-	1,523
Interest - SBITAs	-	-	1,742
Total Expenditures	<u>29,688</u>	<u>4,164,343</u>	<u>61,773,994</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,866,023	2,703,310	35,963,566
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	-	310,000	310,000
SBITA Financing	-	-	417,355
Total Other Financing Sources	<u>-</u>	<u>310,000</u>	<u>727,355</u>
NET CHANGE IN FUND BALANCES	13,866,023	3,013,310	36,690,921
Fund Balances - Beginning of Year	<u>29,974,224</u>	<u>39,521,100</u>	<u>163,970,044</u>
FUND BALANCES - END OF YEAR	<u>\$ 43,840,247</u>	<u>\$ 42,534,410</u>	<u>\$ 200,660,965</u>

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ 36,690,921

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

Governmental funds report capital outlays and lease and SBITA additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives or lease/SBITA agreements as depreciation/amortization expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Depreciation	\$ (12,141,630)	
Capital Outlay, Net of Disposals	5,562,270	
Additions to SBITAs	484,780	
Leased assets depreciation	(14,300)	
SBITAs depreciation	<u>(124,023)</u>	(6,232,903)

Some revenues reported in the statement of activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds. (3,558,643)

Compensated absences reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the statement of activities. (50,622)

The issuance of long-term debt (e.g. bonds, leases, SBITAs) provides current financial resources to the governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. In the statement of net position, the issuance and repayment of long-term liabilities increases and decreases long-term liabilities, respectively.

Issuance of SBITAs	\$ (417,355)	
Lease principal payments	14,040	
SBITA principal payments	<u>132,598</u>	(270,717)

Pension expenditures reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. (6,787,466)

OPEB expenditures reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources. 414,064

Change in Net Position of Governmental Activities \$ 20,204,634

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	<u>Custodial Funds</u>
ASSETS		
Cash and Investments	\$ 608,304	\$ 89,674
LIABILITIES		
Current Liabilities:		
Interest Payable	<u>16,702</u>	<u>-</u>
Total Current Liabilities	16,702	-
Long-Term Liabilities:		
Due Within One Year	350,000	-
Due in More than One Year	<u>4,405,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>4,755,000</u>	<u>-</u>
Total Liabilities	4,771,702	-
NET POSITION		
Restricted for Other Governments	-	89,674
Unrestricted	<u>(4,163,398)</u>	<u>-</u>
Total Net Position	<u>\$ (4,163,398)</u>	<u>\$ 89,674</u>

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	<u>Custodial Funds</u>
ADDITIONS		
Taxes	\$ 548,249	\$ -
Fees	-	4,893,352
Investment Income	10,377	-
Total Additions	<u>558,626</u>	<u>4,893,352</u>
DEDUCTIONS		
Interest and Fiscal Charges	211,006	-
Payments to Organizations	-	4,966,878
Total Deductions	<u>211,006</u>	<u>4,966,878</u>
CHANGES IN NET POSITION	347,620	(73,526)
Net Position - Beginning of Year	<u>(4,511,018)</u>	<u>163,200</u>
NET POSITION - END OF YEAR	<u>\$ (4,163,398)</u>	<u>\$ 89,674</u>

See accompanying Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Lake Forest (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A. Description of the Reporting Entity

This report includes all fund types of the City (the primary government), the Lake Forest Housing Authority (the Housing Authority), and the Rancho Cañada Financing Authority (the Financing Authority). The Authorities meet the definition of a “component unit,” and are presented on a “blended” basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Housing and Financing Authorities is composed of the same membership as the City Council. The City may impose its will on the Housing and Financing Authorities, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Housing and Financing Authorities.

The City was incorporated on December 20, 1991, under the laws of the state of California and enjoys all the rights and privileges pertaining to “General Law” cities. The City operates under a council-manager form of government and currently provides public safety, planning, building, code enforcement, engineering, street maintenance, street lighting, parks, recreation, and general administrative services.

The Housing Authority was established by the City Council in February 2011 and is partly responsible for the administration of providing affordable housing in the City. The activity of the Housing Authority is reported in the Special Revenue Fund.

The Financing Authority was established pursuant to the Rancho Cañada Financing Authority Joint Exercise of Powers Agreement, dated as of September 15, 1998, by and between the City and the Financing Authority, under the provision of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The board of directors of the Financing Authority is composed of the five members in connection with the acquisition, construction, and improvement of public capital improvements, working capital requirements, or insurance programs of the members. The Financing Authority had no transactions during the fiscal year.

Separate financial statements for the Housing Authority can be obtained from the City of Lake Forest Finance Department located at City Hall, 100 Civic Center Drive, Lake Forest, CA 92630. The Financing Authority does not issue separate financial statements.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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

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

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a single column for the governmental activities of the primary government. The City has no business-type activities. Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, 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*, as are the fiduciary funds. 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. *Accrual 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 they occur, regardless of the timing of related cash flows.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services
2. Operating grants and contributions
3. Capital grants and contributions

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation
(Continued)**

Government-Wide Financial Statements (Continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. 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.

Certain eliminations have been made in regard to interfund transfers, payables, and receivables. All internal balances in the statement of net position have been eliminated. Interfund services provided and used, if any, are not eliminated in the consolidation process.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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.

Fund financial statements for the primary government's governmental funds and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary fund statements include financial information for the private-purpose trust and custodial funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

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*. *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 uses an availability period of 60 days.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation
(Continued)**

Governmental Funds (Continued)

Sales taxes, property taxes, franchise fees, gas taxes, highway user's taxes, transient occupancy taxes, grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, 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." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables between governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent 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 and issuances of leases and SBITAs are recorded as *another financing source*, rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Fiduciary Funds

Fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The City's fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. The private-purpose trust fund accounts for the assets held by the City for the Successor Agency to the Lake Forest Redevelopment Agency. The City uses custodial funds to account for the collection and disbursement of funds for Orange County road construction programs, the State of California Strong Motion Instrumentation Program, and the State of California Building Standards Commission's green building standards program.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Classifications

The City reports the following major governmental funds:

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.

Gas Tax Special Revenue Fund

This fund is used to account for revenue and expenditures of money appropriated under Streets and Highways Code Sections 2105, 2106, 2107, 2107.5 and Proposition 1B of the State of California. These funds are earmarked for maintenance, rehabilitation, or improvement of public streets.

City Facilities Capital Projects and Improvement Fund

The City Facilities Capital Projects and Improvement Fund is used to account for costs related to city facilities construction and improvements.

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

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

Capital Projects Funds are used to account for resources restricted or assigned for capital improvements.

The *Private-Purpose Trust Fund* is a fiduciary fund used to account for the activities of the Successor Agency to the Lake Forest Redevelopment Agency.

Custodial Funds are fiduciary funds used to account for assets for which the City acts solely in a custodial capacity. This includes collection of fees imposed by and distributed to other organizations.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. New Accounting Pronouncements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of an SCA or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The City adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the City reclassifying previously presented lease assets and deferred inflows of resources as PPP assets and deferred inflows of resources as disclosed in Note 3.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the City reporting SBITA assets and SBITA liabilities as disclosed in Note 5 and Note 8.

E. Investments

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds. 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, except for investment income associated with funds not legally required to receive pooled investment income, which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code Section 53647.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements under the consumption method.

G. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January proceeding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period from July 1 to June 30.

All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10. Unsecured personal property taxes become due on January 1 each year and are delinquent, if unpaid, on August 31.

H. Capital Assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and equipment (furniture, computers, etc.) vehicles, right-to-use assets related to leases and subscription-based IT arrangements (SBITAs), and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life of more than one year and an initial cost over a specific capitalization threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at acquisition value at the date of donation or annexation. Lease assets and SBITAs are recorded at the amount of the initial measurement of the liabilities and modified by any payments made to the lessor or vendor at or before the commencement of the agreement term.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Assets purchased, constructed, or donated using non-federal funds are recorded in the government-wide financial statements based on specific thresholds as follows:

Asset Class	Threshold*
Land and Land Rights	\$100,000
Buildings and Improvements	100,000
Improvements Other than Buildings	100,000
Machinery and Equipment	50,000
Vehicles	50,000
Right-to-Use Assets (Leases and SBITAs)	30,000 (Annual Exchange of Value)**
Infrastructure	100,000

*See 2CFR200 Uniform Guidance (UGG) for federal funds thresholds.

**Annual Exchange of Value is the dollar value anticipated to be exchanged between the City and a third party during a 12-month period. For SBITAs, this includes both implementation costs and reasonably certain right-to-use payments.

Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets as follows:

Buildings and Improvements	10 to 30 Years
Improvements Other than Buildings	10 to 50 Years
Vehicles, Machinery, Equipment, and Furniture:	
Vehicles	5 Years
Machinery	5 to 20 Years
Equipment	3 to 20 Years
Furniture	7 Years
Infrastructure:	
Traffic Signals	25 Years
Median Improvements	25 Years
Street System - Arterial	35 Years
Street System - Residential	50 Years
Storm Drains	50 Years

Lease assets and SBITAs are amortized using the straight-line method over the shorter of the agreement term or the useful life of the underlying asset.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflows of resources reported in the government wide statement of net position is related to other postemployment benefits and pension. Deferred outflows on other postemployment benefits and pension are more fully discussed in Notes 9 and 14, respectively.

In addition to liabilities, the statement of net position and the Governmental Funds Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City's deferred inflows of resources reported on the government wide statement of net position relate to other postemployment benefits and pension, which are more fully discussed in Notes 9 and 14, respectively.

The City's deferred inflows of resources reported on the government wide statement of net position also include balances related to PPPs for amounts not yet received. Deferred inflows from PPP receivables are initially measured at the initial amount of the PPP receivable, adjusted for PPP payments received at or before the PPP commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the PPP term.

Deferred inflows from *unavailable revenues*, which arises only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources, which are reimbursements, investment income, notes receivable, and grants receivable collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. PPP Receivable

The City measures the PPP receivable at the present value of PPP payments expected to be received during the PPP term. Interest revenue is recognized ratably over the contract term.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

An employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employee's entitlement to these balances is attributable to services already rendered, and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

L. Lease Payable

Lease payable represents the City's obligation to make lease payments arising from the lease. Lease payable is recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

M. Pensions

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

N. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Subscription-Based Information Technology Arrangements (SBITAs)

The City recognizes a SBITA liability and a SBITA asset at the commencement of the SBITA term, unless the SBITA is a short-term contract, or it transfers ownership of the underlying asset. The SBITA liability should be measured at the present value of payments expected to be made during the contract term (less any incentives). The SBITA asset should be measured at the amount of the initial measurement of the SBITA liability, plus any payments made to the vendor at or before the commencement of the contract term and certain direct costs.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

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

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2023, consist of the following:

	Government Wide Statement of Net Position	Fiduciary Statement of Net Position	Total
Cash and Investments	\$ 192,566,973	\$ 697,978	\$ 193,264,951
Restricted:			
Cash and Investments Held by Pension Trust	3,117,363	-	3,117,363
Total Cash and Investments	<u>\$ 195,684,336</u>	<u>\$ 697,978</u>	<u>\$ 196,382,314</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and investments consist of cash on hand, deposits, and investments as noted below:

Cash in Hand	\$ 1,672
Deposits with Financial Institutions	8,958,361
Investments	187,422,281
Total Cash and Investments	\$ 196,382,314

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 and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of the employer contributions to the pension trust that is governed by the trust agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Securities	Yes	5 Years	30%	5%
U.S. Treasury Obligations	Yes	5 Years	None	None
U.S. Agency Securities	Yes	5 Years	None	30%
Banker's Acceptances	Yes	180 Days	40%	5%
Commercial Paper	Yes	270 Days	25%	5%
Negotiable Certificates of Deposit	Yes	5 Years	30%	5%
Non-Negotiable Certificates of Deposit	Yes	5 Years	20%	FDIC Insured
Certificate of Deposit Placement Service	Yes	5 Years	30%	None
Collateralized Bank Deposits	Yes	n/a	None	None
Repurchase Agreements	Yes	1 year	None	None
State of California Local Agency Investment Fund (LAIF)	Yes	None	\$75M	None
Local Government Investment Pools	Yes	None	None	None
Corporate Medium Term Notes	Yes	5 Years	30%	5%
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations	Yes	5 Years	20%	5%
Mutual Funds	Yes	None	10%	None
Money Market Mutual Funds	Yes	None	20%	None
Supranationals	Yes	5 Years	30%	10%

* Based on state law requirements or investment policy requirements, whichever are more restrictive. The City may not invest in items that are permitted by the state but not permitted by the City's investment policy.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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 monitors the interest rate risk inherent in its portfolio by measuring the weighted-average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Treasury Obligations	\$ 30,853,758	\$ 3,334,868	\$ 6,907,033	\$ 20,611,857
U.S. Agency Securities	16,556,273	-	6,165,515	10,390,758
LAIF	135,502	135,502	-	-
Orange County Investment Pool (Local Government Investment Pools)	216,098	216,098	-	-
California Asset Management Program (Local Government Investment Pools)	44,740,645	44,740,645	-	-
Corporate Medium Term Notes	22,052,520	-	991,632	21,060,888
Asset-Backed Securities	8,471,482	-	-	8,471,482
Collateralized Mortgage Obligations	8,409,512	-	-	8,409,512
Money Market Mutual Funds	52,869,128	52,869,128	-	-
Pension Trust - PARS Pooled Trust	3,117,363	3,117,363	-	-
Total	<u>\$ 187,422,281</u>	<u>\$ 104,413,604</u>	<u>\$ 14,064,180</u>	<u>\$ 68,944,497</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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk (Continued)

Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and Standard & Poor's actual rating as of year-end for each investment type:

<u>Investment Type</u>	Total as of June 30, 2023	Minimum Legal Rating	Not Rated
U.S. Treasury Obligations	\$ 30,853,758	N/A	\$ -
U.S. Agency Securities	16,556,273	N/A	-
LAIF	135,502	N/A	135,502
Orange County Investment Pool (Local Government Investment Pools)	216,098	N/A	216,098
California Asset Management Program (Local Government Investment Pools)	44,740,645	N/A	-
Corporate Medium Term Notes	22,052,520	A	-
Asset-Backed Securities	8,471,482	AA	-
Collateralized Mortgage Obligations	8,409,512	AA	-
Money Market Mutual Funds	52,869,128	AAA	-
Pension Trust - PARS Pooled Trust	3,117,363	N/A	3,117,363
Total	<u>\$ 187,422,281</u>		<u>\$ 3,468,963</u>

<u>Investment Type</u>	AAA	AA	A
U.S. Treasury Obligations	\$ -	\$ 30,853,758	\$ -
U.S. Agency Securities	-	16,556,273	-
LAIF	-	-	-
Orange County Investment Pool (Local Government Investment Pools)	-	-	-
California Asset Management Program (Local Government Investment Pools)	44,740,645	-	-
Corporate Medium Term Notes	-	7,413,630	14,638,890
Asset-Backed Securities	8,471,482	-	-
Collateralized Mortgage Obligations	8,409,512	-	-
Money Market Mutual Funds	52,869,128	-	-
Pension Trust - PARS Pooled Trust	-	-	-
Total	<u>\$ 114,490,767</u>	<u>\$ 54,823,661</u>	<u>\$ 14,638,890</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2023, there are no investments in any one issuer (other than U.S. Treasury Obligations, money market mutual funds, and external investment pool) that represent 5% or more of the City's total investments.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The fair value of the pledged securities in the collateral pool 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 value of 150% of the secured public deposits. At June 30, 2023, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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. The balance available for withdrawal is based on the accounting records maintained by LAIF.

California Asset Management Program

The City invests in this investment trust, California Asset Management Program (CAMP), which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The City is a voluntary participant in the investment trust.

The CAMP Cash Reserve Portfolio (the Pool) is exempt from registration with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds," of that Act. Accordingly, the Pool meets the definition of a "2a-7 like pool" set forth in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. While the Pool itself is exempt from SEC registration, the Pool's investment advisor and administrator, PFM Asset Management LLC, is registered with the SEC as an investment advisor under the Investment Advisers Act of 1940. PFM Asset Management LLC has filed with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

California Asset Management Program (Continued)

In addition, the Pool also meets the definition of “Municipal Fund Security” outlined by Municipal Securities Rulemaking Board (MSRB) Rule 0-12; therefore, contacts with prospective investors relating to shares of the Pool are conducted through PFM Asset Management LLC’s wholly owned subsidiary, PFMAM, Inc., a broker/dealer that is registered with the SEC and MSRB and is a member of the National Association of Securities Dealers. The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

Orange County Investment Pool

The City is a voluntary participant in the County Treasurer’s Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the SEC. The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2023, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Annual Comprehensive Financial Report.

Pension Trust

The City established a trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City’s defined benefit pension plan. The pension trust fund’s specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City.

The City-approved guidelines are as follows:

Risk Tolerance: Moderate

Risk Management: The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.

Investment Objective: To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.

Strategic Ranges: 0% to 20% Cash
 40% to 60% Fixed Income
 40% to 60% Equity

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs. The below identified investments classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. At June 30, 2023, the City had the following:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 30,853,758	\$ -	\$ 30,853,758
U.S. Agency Securities	-	16,556,273	-	16,556,273
Corporate Medium Term Notes	-	22,052,520	-	22,052,520
Asset-Backed Securities	-	8,471,482	-	8,471,482
Collateralized Mortgage Obligations	-	8,409,512	-	8,409,512
Total Leveled Investments	<u>\$ -</u>	<u>\$ 86,343,545</u>	<u>\$ -</u>	<u>86,343,545</u>
LAIF*				135,502
Orange County Investment Pool (Local Government Investment Pools)*				216,098
California Asset Management Program (Local Government Investment Pools)*				44,740,645
Money Market Mutual Funds*				52,869,128
Pension Trust*				3,117,363
Total Investment Portfolio				<u>\$ 187,422,281</u>

* Not subject to fair value hierarchy.

NOTE 3 PUBLIC-PRIVATE PARTNERSHIPS

The City has agreements with the Lake Forest Equestrian Center, Inc. and the American Golf Corporation who provide equestrian and golf course services, respectively, from land and improvements provided by the City. The City retains title to all assets and any constructed asset improvements during the term of the agreements. The agreements expire at various dates through 2027 and provide various renewal options ranging from three months to six years. The agreements provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. The discount rate utilized for these agreements consisted of the incremental borrowing rates and ranged from 0.8137% to 0.9796%.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 PUBLIC-PRIVATE PARTNERSHIPS (CONTINUED)

Receivables and deferred inflows of resources as of June 30, 2023, related to these agreements are \$310,615 and \$314,815, respectively. The amount of inflows of resources related to payments and interest recognized for during the year ended June 30, 2023 totaled \$115,336 and \$3,520, respectively. There are no variable or other payments.

Total future minimum payments to be received under the agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 115,608	\$ 2,457	\$ 118,065
2025	102,187	1,397	103,584
2026	82,611	539	83,150
2027	10,209	11	10,220
	<u>\$ 310,615</u>	<u>\$ 4,404</u>	<u>\$ 315,019</u>

NOTE 4 NOTES AND LOANS RECEIVABLE

In the fiscal year ended June 30, 2016, the City sold property to a nonprofit corporation that resulted in a note receivable of \$100,000 due to the Authority. The note is secured by a deed of trust in the name of the Authority and bears interest equal to the LAIF rate. Principal payments are made in 50 equal annual installments of \$2,000, together with any unpaid interest that has accrued at the time of each payment. Each annual payment shall be due and payable commencing on the fifth anniversary of the project completion date and on that same date each year until the balance of the principal and accrued interest is paid in full. However, if the borrower is in full compliance with the regulatory agreement during the 12 months preceding a payment, the interest accrued during that 12-month period shall be forgiven by the City. The balance of this note as of June 30, 2023, is \$94,000.

On December 15, 2021, the City entered into a promissory note with a developer for \$3,700,000. The note is secured by a deed of trust in the name of the City and bears interest equal to 3% per annum. Principal payments are made through 50% of annual residual receipts. Each annual payment shall be due and payable on May 31 of the following year. The balance of this note as of June 30, 2023, is \$3,700,000.

On December 1, 2022, the City entered into a promissory note with a developer for \$764,300. The note is secured by a deed of trust in the name of the City and bears interest equal to 3% per annum. Principal payments are made through 10.93% of annual residual receipts. Each annual payment shall be due and payable on April 1 of the following year. The balance of this note as of June 30, 2023, is \$764,300.

Housing loans receivable of \$199,145 and \$2,183,007 in the Housing Authority Special Revenue Fund and Community Development Block Grant Special Revenue Fund, respectively, consist of various low-interest home loans made to low-income families.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is as follows:

	Balance at July 1, 2022, as Restated (1)	Additions	Deletions	Balance at June 30, 2023
Capital Assets, Not Being Depreciated:				
Land	\$ 120,610,484	\$ 29,689	\$ -	\$ 120,640,173
Construction in Progress	1,363,318	4,884,668	(343,891)	5,904,095
Total Capital Assets, Not Being Depreciated	121,973,802	4,914,357	(343,891)	126,544,268
Capital Assets, Being Depreciated:				
Buildings and Improvements	100,421,374	-	-	100,421,374
Improvements Other than Buildings	37,453,286	374,320	-	37,827,606
Machinery and Equipment	4,550,741	-	-	4,550,741
Infrastructure	265,060,622	617,484	-	265,678,106
Total Capital Assets, Being Depreciated	407,486,023	991,804	-	408,477,827
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,367,514)	(3,937,442)	-	(14,304,956)
Improvements Other than Buildings	(9,551,939)	(1,354,972)	-	(10,906,911)
Machinery and Equipment	(4,427,114)	(47,382)	-	(4,474,496)
Infrastructure	(150,007,332)	(6,801,834)	-	(156,809,166)
Total Accumulated Depreciation	(174,353,899)	(12,141,630)	-	(186,495,529)
Total Capital Assets, Being Depreciated, Net	233,132,124	(11,149,826)	-	221,982,298
Lease Assets:				
Lease Assets - Equipment	48,135	-	-	48,135
Accumulated Amortization	(13,437)	(14,300)	-	(27,737)
Total Lease Assets, Being Amortized	34,698	(14,300)	-	20,398
SBITAs:				
SBITA	191,919	484,780	-	676,699
Accumulated Amortization	-	(124,023)	-	(124,023)
Total SBITA Assets, Being Amortized	191,919	360,757	-	552,676
Capital and Lease Assets, Net	<u>\$ 355,332,543</u>	<u>\$ (5,889,012)</u>	<u>\$ (343,891)</u>	<u>\$ 349,099,640</u>

(1) The beginning balance was restated due to the implementation of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. See Note 1.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense were charged to functions/programs of the primary government as follows:

General Government	\$ 4,023,708
Public Safety	17,522
Public Works, Including Depreciation of Infrastructure Assets	8,197,870
Management Services	32,927
Community Services	7,926
Total Depreciation Expense - Governmental Activities	\$ 12,279,953

Construction Commitments

Significant construction contracts as of June 30, 2023, consisted of the following:

	Commitment
El Toro & Portola/Santa Margarita	\$ 906,237
Vintage Park Renovation	834,512
Portola Center Park	131,360
Total	\$ 1,872,109

The City's encumbered appropriations lapse at year-end and therefore do not represent commitments.

NOTE 6 INTERFUND ACTIVITIES

Due From/Due to Other Funds

Other Governmental Funds – Community Development Block Grant Special Revenue Fund and Cal-Fire LHMP Special Revenue Fund borrowed \$99,136 and \$62,100, respectively, from the General Fund to fund operations.

NOTE 7 LEASE PAYABLE

The City leases office equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2025 and provide for renewal options up to one year.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LEASE PAYABLE (CONTINUED)

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 14,766	\$ 796	\$ 15,562
2025	5,956	112	6,068
Total Minimum Lease Payments	<u>\$ 20,722</u>	<u>\$ 908</u>	<u>\$ 21,630</u>

NOTE 8 LONG-TERM LIABILITIES

The change in the City's long-term liabilities during the year ended June 30, 2023, consisted of the following:

	Balance at July 1, 2022, as Restated (2)	Additions	Deletions	Balance at June 30, 2023	Due Within One Year	Due in More than One Year
	Compensated Absences	\$ 1,002,158	\$ 660,933	\$ (610,311)	\$ 1,052,780	\$ 610,300
SBITA Liabilities	191,919	417,355	(132,598)	476,676	162,629	314,047
Total	<u>\$ 1,194,077</u>	<u>\$ 1,078,288</u>	<u>\$ (742,909)</u>	<u>\$ 1,529,456</u>	<u>\$ 772,929</u>	<u>\$ 756,527</u>

(2) The beginning balance was restated due to the implementation of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. See Note 1.

Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1.K. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2023, the outstanding balance was \$1,052,780.

SBITA Liabilities

The City has entered into subscription based-information technology arrangements (SBITAs) for finance, cloud, and operating information technology systems. The SBITA arrangements expire at various dates through 2027 and provide for renewal options.

As of June 30, 2023, SBITA assets and the related accumulated amortization totaled \$676,699 and \$(124,023), respectively. See Note 5 for Capital Assets.

The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 115,608	\$ 2,457	\$ 118,065
2025	102,187	1,397	103,584
2026	82,611	539	83,150
2027	10,209	11	10,220
	<u>\$ 310,615</u>	<u>\$ 4,404</u>	<u>\$ 315,019</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

SBITA Liabilities (Continued)

There are no variable payments, no payments made related to termination penalties, and no impairment losses on SBITA assets. For the SBITA agreements added in the current year, total capitalizable software configuration costs totaled \$67,425.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The City provides other post-employment benefits (OPEB) through an agent multiple-employer defined benefit plan to provide postemployment health-care benefits through the California Public Employees Medical and Hospital Care Act (PEMHCA). These benefits are available to employees who retire with the City with at least five years of service with a minimum retirement age of 50 years. The retiree is entitled to participate in the City-sponsored medical plan, and the City contributes up to \$143 per month toward the premium for employee only coverage under the City sponsored medical plans. The Plan does not issue a publicly available financial report.

The City has established a trust with Public Agency Retirement Services (PARS) to provide additional funding for the OPEB Plan. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request.

Employees Covered

As of measurement date June 30, 2022, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	12
Active Employees	<u>57</u>
Total Plan Participants	<u><u>69</u></u>

Contributions

Benefit provisions and contribution requirements of plan members and the City are established and may be amended by the City, the City's City Council, and/or the employee associations. The plan does not require employee contributions. Administrative costs of this plan are financed through investment earnings. The contributions to the OPEB Plan are generally made from the general fund. The OPEB liability for governmental activities is primarily liquidated from the general fund. For fiscal year ended June 30, 2023, the City contributed \$500,000 to the PARS OPEB Trust.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability

The City's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2022 using an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	5.75%
Long-Term Expected Rate of Return on Investments	5.75%
Inflation	2.50%
Payroll	2.75%
Health-Care Trend Rates	4% Per Year
Mortality	2017 CalPERS Retiree Mortality for Miscellaneous
Mortality	Employees

The City holds the presumption that the CalPERS medical plan and its premium structure are sustainable over the measurement period, even if other groups or active participants cease to participate and has selected to incorporate that opinion as an assumption in its valuation. The actuary incorporated this assumption and has applied the 3.7.7(c)(4) exception and performed the valuation based on the direct premium rates charged by CalPERS without regard to adjustments for age, thereby resulting in no liability due to an implied rate subsidy.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
PARS OPEB Trust:		
All U.S. Domestic Stock	60.000 %	7.545 %
Long-Term Corporate Bonds	40.000	5.045
Total	<u>100.000 %</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. All future benefit payments are expected to be funded by assets held in the OPEB Trust.

C. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021 (Measurement Date)	\$ 1,155,283	\$ 620,230	\$ 535,053
Changes in the Year:			
Service Cost	111,777	-	111,777
Interest on the Total OPEB Liability	31,080	-	31,080
Differences Between Actual and Expected Experience	(979)	-	(979)
Changes in Assumptions	(487,104)	-	(487,104)
Net Investment Income	-	(77,197)	77,197
Benefit Payments	(21,359)	(21,359)	-
Administrative Expenses	-	(3,575)	3,575
Net Changes	<u>(366,585)</u>	<u>(102,131)</u>	<u>(264,454)</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 788,698</u>	<u>\$ 518,099</u>	<u>\$ 270,599</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

Change of Assumptions

In fiscal year 2022-2023, the financial reporting discount rate changed from 2.59% to 5.75%.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower or one percentage point higher than the current discount rate:

	One Percent Decrease (4.75%)	Discount Rate (5.75%)	One Percent Increase (6.75%)
Net OPEB Liability	<u>\$ 399,960</u>	<u>\$ 270,599</u>	<u>\$ 185,739</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are one-percentage point lower or one percentage point higher than the current health-care trend rate:

	One Percent Decrease (3.0%)	Health Care Trend Rate (4.0%)	One Percent Increase (5.0%)
Net OPEB Liability	<u>\$ 142,827</u>	<u>\$ 270,599</u>	<u>\$ 405,043</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$85,916. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 500,000	\$ -
Differences Between Actual and Expected Experience	-	(363,360)
Changes in Assumptions	362,515	(448,749)
Net Differences Between Projected and Actual Earnings	42,451	-
Total	\$ 904,966	\$ (812,109)

\$500,000 reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	\$ (23,019)
2025	(22,311)
2026	(24,550)
2027	(7,541)
2028	(29,968)
Thereafter	(299,754)
Total	\$ (407,143)

E. Payable to the OPEB Plan

At June 30, 2023, the City had no outstanding amount of contributions to the OPEB Plan required for the year ended June 30, 2023.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 RISK MANAGEMENT

Description of Self-insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a \$50 million per occurrence limit. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverages is available on the following website:

<https://cjpia.org/coverage/risk-sharing-pools/>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 RISK MANAGEMENT (CONTINUED)

Self-Insurance Programs of the Authority (Continued)

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2022-23, the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased as part of a reinsurance policy, and Employer's liability losses from \$5 million to \$10 million are pooled among members.

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The Policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$100,611,309. There is a \$10,000 deductible per occurrence except for nonemergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$14,932,874. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 RISK MANAGEMENT (CONTINUED)

Purchased Insurance

Special Event Tenant User Liability Insurance

The City of Lake Forest further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Lake Forest according to a schedule. The City of Lake Forest then pays for the insurance. The insurance is facilitated by the Authority. The City also allows tenants to purchase liability insurance through private third-party insurers.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2022-23.

NOTE 11 CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES

Net Position Classifications

The City's net position at June 30, 2023, is tabulated below, followed by explanations as to the nature and purpose of each classification.

Net Investment in Capital Assets:	
Capital Assets, Not Being Depreciated	\$ 126,544,268
Depreciable Capital Assets, Net	221,982,298
Lease Assets, Net	20,398
SBITAs, Net	552,676
Less: Retention Payable	(174,084)
Less: Leases Payable	(20,722)
Less: SBITA Liabilities	(476,676)
Net Investment in Capital Assets	<u>348,428,158</u>
Restricted Net Position:	
Low and Moderate-Income Housing	8,753,099
Community Development	2,183,007
Public Safety	316,140
Public Works	80,306,421
Community Services	459,357
Pension Benefits	909,049
Total Restricted Net Position	<u>92,927,073</u>
Unrestricted Net Position	<u>111,333,965</u>
Total Net Position	<u><u>\$ 552,689,196</u></u>

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation on these assets and related long-term debt and capital related payable used to acquire the assets reduces this category.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 11 CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES
(CONTINUED)**

Net Position Classifications (Continued)

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This category represents the net position of the City that is not restricted for any project or other purpose.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 11 CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES
(CONTINUED)**

Governmental Fund Balance Classifications

The City's governmental fund balances at June 30, 2023, are tabulated below, followed by explanations as to the nature and purpose of each classification.

	General Fund	Gas Tax Special Revenue Fund	City Facilities Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 35,002	\$ -	\$ -	\$ -	\$ 35,002
Restricted for:					
Street Maintenance	-	3,312,140	-	3,986,240	7,298,380
Air Quality	-	-	-	586,618	586,618
Grant Programs:					
Community Development	-	-	-	2,183,007	2,183,007
Community Services	-	-	-	200,943	200,943
Public Safety	-	-	-	310,058	310,058
Public Works	-	-	-	171,712	171,712
Housing Programs	-	-	-	8,659,099	8,659,099
Capital Projects:					
Public Works	-	-	43,840,247	26,501,925	70,342,172
Pension Benefits	3,117,363	-	-	-	3,117,363
Assigned for:					
Infrastructure	4,994,270	-	-	-	4,994,270
Neighborhood Park Improvement	2,140,143	-	-	-	2,140,143
Unassigned	100,687,390	-	-	(65,192)	100,622,198
Total	<u>\$ 110,974,168</u>	<u>\$ 3,312,140</u>	<u>\$ 43,840,247</u>	<u>\$ 42,534,410</u>	<u>\$ 200,660,965</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 11 CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES
(CONTINUED)**

Governmental Fund Balance Classifications (Continued)

Nonspendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance

This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance

This classification includes amounts that have been limited to specific purposes as defined in the City's Municipal Code or through adoption of an ordinance by the City Council, the highest level of decision-making authority of the City. These commitments may be changed or lifted but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.

Assigned Fund Balance

This classification includes amounts that are intended to be used by the City for specific purposes through the City Council budgetary actions but do not meet the criteria to be classified as restricted or committed. Intent is expressed by the City Council. The City Council has not delegated the authority to assign amounts.

Unassigned Fund Balance

This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, and then assigned fund balance and finally unassigned fund balance.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 JOINT VENTURE

In January 1995, the City of Lake Forest entered into a joint powers agreement with cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda and the County of Orange (the County) to create the Orange County Fire Authority (Fire Authority). Since the creation of the Fire Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, Westminster, Garden Grove, and Santa Ana joined the Fire Authority as members eligible for fire protection services. Effective July 1, 2020, City of Placentia withdrew its membership from the Fire Authority. The purpose of the Fire Authority is to provide for mutual fire protection, prevention, and suppression services and related and incidental services, including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Fire Authority's governing board consists of one representative from each city and two from the County. The operations of the Fire Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the cities of Stanton, Tustin, San Clemente, Buena Park, Seal Beach, Garden Grove, and Santa Ana.

The County pays all structural fire fees it collects to the Fire Authority. The cities of Stanton, Tustin, San Clemente, Buena Park, and Seal Beach are considered "cash contract cities" and, accordingly, make cash contributions based on the Fire Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2023. Upon dissolution of the Fire Authority, all surplus money and property of the Fire Authority will be conveyed or distributed to each member in proportion to all funds provided to the Fire Authority by that member or by the County on behalf of that member during its membership.

Complete financial statements may be obtained from the Orange County Fire Authority, 1 Fire Authority Road, Irvine, CA 92602.

NOTE 13 DEFERRED COMPENSATION PLANS

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death, or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries and the assets shall not be diverted for any other purpose. Each participant directs the investments in their respective accounts, and the City has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the City. For this reason, the assets and related liabilities of the plan have been removed from the financial records of the City and are not included in the accompanying financial statements.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN

A. Defined Benefit Plan

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plan (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by the CalPERS. Benefit provisions under the Plan are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS's website.

Benefits Provided

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

Plan provisions and benefits in effect as of the fiscal year ended June 30, 2023, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	Five Years of Service	Five Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 63	52 to 67
Monthly Benefits, as a Percentage of Eligible Compensation	1.426% to 2.418%	1.0% to 2.50%
Required Employee Contribution Rates	7.000%	6.250%
Required Employer Contribution Rates:		
Normal Cost Rate	10.870%	7.470%
Payment of Unfunded Liability	\$ 91,178	\$ 6,342

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

A. Defined Benefit Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions

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

Contributions for the fiscal year ended June 30, 2023, included \$97,520 for the UAL and \$694,467 for the normal cost rate resulting in a total amount paid of \$791,987.

The pension liability for governmental activities is primarily liquidated from the general fund.

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

As of June 30, 2023, the City reported a net pension liability of \$2,208,314 for its proportionate share of the net pension liability of all Plans.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2021 and 2022, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	(0.24286)%
Proportion - June 30, 2022	0.04719
Change	<u>0.29005 %</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

A. Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$7,579,453. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 791,987	\$ -
Differences Between Actual and Expected Experience	44,347	(29,702)
Change in Assumptions	226,288	-
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	3,118,681	(53,047)
Net Differences Between Projected and Actual Earnings on Plan Investments	404,505	-
Total	\$ 4,585,808	\$ (82,749)

An amount of \$791,987 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 1,327,811
2025	1,313,484
2026	822,369
2027	247,408
Total	\$ 3,711,072

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

A. Defined Benefit Plan (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2022, measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Preretirement and Postretirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
Postretirement Benefit Increase	The less of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

Long-Term Expected Rate of Return

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

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

A. Defined Benefit Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return (a) (b)</u>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	05.00	0.27
Mortgage-backed Securities	05.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	05.00	2.27
Emerging Market Debt	05.00	2.48
Private Debt	05.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	<u>100.00 %</u>	

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

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

Discount Rate

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

Change in Assumptions

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30% from the measurement date June 30, 2021 to June 30, 2022.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

A. Defined Benefit Plan (Continued)

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

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

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$ 7,771,823
Current Discount Rate	6.90%
Net Pension Liability	\$ 2,208,314
1% Increase	7.90%
Net Pension Liability (Asset)	\$ (2,369,074)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2023, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

B. Defined Contribution Plan

The Omnibus Budget Reconciliation Act of 1990 mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992, be covered by Social Security or an alternate plan. In accordance with this federal law, the City provides pension benefits for all part-time, seasonal, and temporary employees through the City of Lake Forest Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings.

Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.3% by the City. All part-time, seasonal, or temporary employees are immediately eligible to participate in the plan from the date of employment and all contributions are fully vested. The contribution requirements are established by federal statutes and may be amended by the federal government.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 PENSION PLAN (CONTINUED)

B. Defined Contribution Plan (Continued)

For the year ended June 30, 2023, the City's payroll covered by the plan was \$653,226. Contributions to the plan totaled \$48,952, with employee contributions in the amount of \$40,460 (6.2% of current covered payroll) and City contributions in the amount of \$8,492 (1.3% of current covered payroll).

NOTE 15 COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

Federal and State Grants

The City has received state and federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that required reimbursements, if any, will not be material.

NOTE 16 SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former redevelopment agency were transferred to the Successor Agency to the Redevelopment Agency on February 1, 2012, as a result of the dissolution of the former redevelopment agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023	Due Within One Year	Due in More than One Year
Other Debt:						
2004 Certificates of Participation	\$ 5,090,000	-	\$ (335,000)	\$ 4,755,000	\$ 350,000	\$ 4,405,000

2004 Certificates of Participation

On March 1, 2004, the Financing Authority issued \$9,505,000 in Certificates of Participation to partially finance the El Toro Road Traffic and Landscape Improvement Project. Interest is payable beginning June 1, 2004, and semiannually on each June 1 and December 1. The interest rate of this debt at the date of issue ranges from 2.80% to 4.25%. The certificates mature serially beginning December 1, 2004, through December 1, 2033. The outstanding balance at June 30, 2023, was \$4,755,000.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 SUCCESSOR AGENCY DISCLOSURES

Long-Term Liabilities (Continued)

2004 Certificates of Participation (Continued)

The Certificates of Participation utilize an asset transfer structure, whereby, concurrent with the above debt issuance, the City entered into a lease agreement with the Rancho Cañada Financing Authority with respect to Concourse Park, Pittsford Park, Rimgate Park, and Lake Forest Golf and Practice Center (collectively, the Leased Property). The City will sublease the Leased Property to the Authority, and the Authority will sublease the Leased Property to the City. The City is obligated to pay lease payments under the lease agreement from any legally available monies, including transfers from the Redevelopment Agency. The lease payments are calculated to be an amount sufficient to pay all principal and interest represented by the Certificates of Participation when due.

Annual debt service requirements to maturity for these Certificates of Participation are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 350,000	\$ 193,248	\$ 543,248
2025	365,000	178,590	543,590
2026	380,000	163,128	543,128
2027	395,000	146,853	541,853
2028	410,000	129,948	539,948
2028 to 2032	2,330,000	367,200	2,697,200
2033	525,000	11,157	536,157
Total	<u>\$ 4,755,000</u>	<u>\$ 1,190,123</u>	<u>\$ 5,945,123</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	Miscellaneous			
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Measurement Period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Plan's Proportion of the Net Pension Liability (Asset)	0.47190 %	(0.24286)%	1.00500 %	(0.00741)%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,208,314	\$ (4,611,435)	\$ 423,887	\$ (296,877)
Plan's Covered Payroll	6,658,335	5,847,203	6,782,362	6,393,650
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	33.17 %	(78.87)%	6.25 %	(4.64)%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	94.59 %	112.41 %	98.77 %	75.26 %

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015, to June 30, 2016:

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

From Fiscal Year June 30, 2016, to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017, to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From Fiscal Year June 30, 2018, to June 30, 2022:

There were no significant changes in assumptions.

From Fiscal Year June 30, 2022, to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

* Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET) (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability (Asset)	(0.00917)%	0.02021 %	0.01521 %	0.05317 %	0.05683 %
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ (883,666)	\$ 2,003,930	\$ 1,315,948	\$ 3,649,775	\$ 3,536,521
Plan's Covered Payroll	5,957,084	6,123,728	5,714,410	5,368,494	5,321,851
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	(14.83)%	32.72 %	23.03 %	67.99 %	66.45 %
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26 %	73.31 %	74.06 %	78.40 %	79.82 %

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2015, to June 30, 2016:

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

From Fiscal Year June 30, 2016, to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017, to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From Fiscal Year June 30, 2018, to June 30, 2022:

There were no significant changes in assumptions.

From Fiscal Year June 30, 2022, to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

* Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS***

Fiscal Year Ended	Miscellaneous			
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Contractually Required Contribution (Actuarially Determined)	\$ 791,987	\$ 712,161	\$ 628,116	\$ 637,268
Contributions in Relation to the Actuarially Determined Contributions	<u>(791,987)</u>	<u>(712,161)</u>	<u>(628,116)</u>	<u>(637,268)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,658,335	\$ 6,658,335	\$ 5,847,203	\$ 6,782,362
Contributions as a Percentage of Covered Payroll	11.89%	10.70%	10.74%	9.40%

NOTES TO SCHEDULE

Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.500%	2.500%	2.625%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

- (1) Level of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (2%@55) and 52 years (2%@62)
(5) Mortality assumptions are based on monthly rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF CITY OF LAKE FOREST
SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year Ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 561,053	\$ 509,038	\$ 522,439	\$ 607,438	\$ 600,646
Contributions in Relation to the Actuarially Determined Contributions	<u>(561,053)</u>	<u>(2,965,383)</u>	<u>(522,439)</u>	<u>(4,328,303)</u>	<u>(600,646)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (2,456,345)</u>	<u>\$ -</u>	<u>\$ (3,720,865)</u>	<u>\$ -</u>
Covered Payroll	\$ 6,393,650	\$ 5,957,084	\$ 6,123,728	\$ 5,714,410	\$ 5,368,494
Contributions as a Percentage of Covered Payroll	8.78%	49.78%	8.53%	75.74%	11.19%

NOTES TO SCHEDULE

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age				
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@55) and 52 years (2%@62)
- (5) Mortality assumptions are based on monthly rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

**CITY OF LAKE FOREST
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year End	<u>June 30, 2023</u>
Measurement Date	June 30, 2022
Total OPEB Liability:	
Service Cost	\$ 111,777
Interest on Total OPEB Liability	31,080
Differences Between Actual and Expected Experience	(979)
Changes In Assumptions	(487,104)
Benefit Payments, Including Refunds	<u>(21,359)</u>
Net Change in Total OPEB Liability	(366,585)
Total OPEB Liability - Beginning of Year	<u>1,155,283</u>
Total OPEB Liability - End of Year (a)	788,698
Plan Fiduciary Net Position:	
Contributions - Employer	-
Net Investment Income	(77,197)
Benefit Payments	(21,359)
Administrative Expenses	<u>(3,575)</u>
Net Change in Plan Fiduciary Net Position	(102,131)
Plan Fiduciary Net Position - Beginning of Year	<u>620,230</u>
Plan Fiduciary Net Position - End of Year (b)	<u>518,099</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 270,599</u>
Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability	65.69%
Covered - Employee Payroll	\$ 6,658,335
Net OPEB Liability as a Percentage of Covered-Employee Payroll	4.06%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2018, to June 30, 2019: The Discount Rate was changed from 5.7% to 4.2%.

From Fiscal Year June 30, 2019, to June 30, 2020: The Discount Rate was changed from 4.2% to 3.8%.

From Fiscal Year June 30, 2020, to June 30, 2021: The Discount Rate was changed from 3.8% to 2.7%.

From Fiscal Year June 30, 2021, to June 30, 2022: The Discount Rate was changed from 2.7% to 2.59%.

The Inflation Rate was changed from 2.75% to 2.50%.

From Fiscal Year June 30, 2022, to June 30, 2023: The Discount Rate was changed from 2.59% to 5.75%.

* Fiscal Year 2018 was the first year of implementation and therefore only six years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year End	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability:					
Service Cost	\$ 117,771	\$ 88,328	\$ 62,082	\$ 41,280	\$ 40,175
Interest on Total OPEB Liability	36,888	38,927	40,575	29,933	37,110
Differences Between Actual and Expected Experience	(316,093)	(1,120)	(142,818)	-	-
Changes In Assumptions	20,339	222,172	105,362	192,537	-
Benefit Payments, Including Refunds	(22,632)	(20,153)	(19,518)	(21,242)	(12,270)
Net Change in Total OPEB Liability	(163,727)	328,154	45,683	242,508	65,015
Total OPEB Liability - Beginning of Year	1,319,010	990,856	945,173	702,665	637,650
Total OPEB Liability - End of Year (a)	1,155,283	1,319,010	990,856	945,173	702,665
Plan Fiduciary Net Position:					
Contributions - Employer	-	-	-	-	49,125
Net Investment Income	116,084	20,094	34,120	32,331	(1,222)
Benefit Payments	(22,632)	(20,153)	(19,518)	(21,242)	(12,270)
Administrative Expenses	(3,379)	(2,820)	(1,293)	-	-
Net Change in Plan Fiduciary Net Position	90,073	(2,879)	13,309	11,089	35,633
Plan Fiduciary Net Position - Beginning of Year	530,157	533,036	519,727	508,638	473,005
Plan Fiduciary Net Position - End of Year (b)	620,230	530,157	533,036	519,727	508,638
Net OPEB Liability - Ending (a)-(b)	\$ 535,053	\$ 788,853	\$ 457,820	\$ 425,446	\$ 194,027
Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability	53.69%	40.19%	53.80%	54.99%	72.39%
Covered - Employee Payroll	\$ 5,847,203	\$ 6,782,362	\$ 6,393,650	\$ 5,957,084	\$ 6,123,728
Net OPEB Liability as a Percentage of Covered-Employee Payroll	9.15%	11.63%	7.16%	7.14%	3.17%

NOTES TO SCHEDULE

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From Fiscal Year June 30, 2018, to June 30, 2019: The Discount Rate was changed from 5.7% to 4.2%.

From Fiscal Year June 30, 2019, to June 30, 2020: The Discount Rate was changed from 4.2% to 3.8%.

From Fiscal Year June 30, 2020, to June 30, 2021: The Discount Rate was changed from 3.8% to 2.7%.

From Fiscal Year June 30, 2021, to June 30, 2022: The Discount Rate was changed from 2.7% to 2.59%.

The Inflation Rate was changed from 2.75% to 2.50%.

From Fiscal Year June 30, 2022, to June 30, 2023: The Discount Rate was changed from 2.59% to 5.75%.

* Fiscal Year 2018 was the first year of implementation and therefore only six years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 31,315,000	\$ 31,829,000	\$ 33,692,289	\$ 1,863,289
Licenses and Permits	1,916,000	2,963,000	2,765,576	(197,424)
Intergovernmental	221,600	6,701,891	6,825,273	123,382
Intergovernmental - Sales Tax	18,750,000	18,750,000	19,049,883	299,883
Charges for Services	4,069,900	3,783,850	4,345,785	561,935
Developer Contributions	-	-	368,220	368,220
Fines and Forfeitures	410,000	410,000	511,109	101,109
Investment Income	250,000	2,250,000	4,619,311	2,369,311
Other	239,000	439,489	601,451	161,962
Total Revenues	<u>57,171,500</u>	<u>67,127,230</u>	<u>72,778,897</u>	<u>5,651,667</u>
EXPENDITURES				
Current:				
General Government:				
City Council	81,600	78,930	77,695	1,235
City Manager	3,731,007	5,552,025	4,625,100	926,925
City Attorney	1,286,000	1,286,000	948,194	337,806
City Clerk	934,227	971,447	820,274	151,173
Finance	3,049,569	4,323,222	3,781,659	541,563
ARPA- Personnel Rehiring	-	906,815	906,815	-
Public Safety:				
Police Services	21,130,471	20,723,549	20,146,501	577,048
Public Works	13,715,228	13,790,217	12,860,114	930,103
Community Development	3,498,852	3,918,593	3,368,231	550,362
Management Services	1,364,490	1,344,126	1,269,215	74,911
Community Services	3,667,211	3,859,282	3,117,106	742,176
Capital Outlay	634,000	6,297,045	2,889,758	3,407,287
Debt Service:				
Principal Retirement - Leases	-	-	14,040	(14,040)
Principal Retirement - SBITAs	-	-	132,598	(132,598)
Interest - Leases	-	-	1,523	(1,523)
Interest - SBITAs	-	-	1,742	(1,742)
Total Expenditures	<u>53,092,655</u>	<u>63,051,251</u>	<u>54,960,565</u>	<u>8,090,686</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,078,845</u>	<u>4,075,979</u>	<u>17,818,332</u>	<u>13,742,353</u>
OTHER FINANCING SOURCES				
SBITA Financing	-	-	417,355	(417,355)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>417,355</u>	<u>(417,355)</u>
NET CHANGE IN FUND BALANCE	<u>4,078,845</u>	<u>4,075,979</u>	<u>18,235,687</u>	<u>13,324,998</u>
Fund Balance - Beginning of Year	<u>92,738,481</u>	<u>92,738,481</u>	<u>92,738,481</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 96,817,326</u>	<u>\$ 96,814,460</u>	<u>\$ 110,974,168</u>	<u>\$ 13,324,998</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 4,207,207	\$ 4,107,207	\$ 4,133,215	\$ 26,008
Investment Income	5,000	5,000	58,981	53,981
Other	-	-	3,103	3,103
Total Revenues	<u>4,212,207</u>	<u>4,112,207</u>	<u>4,195,299</u>	<u>83,092</u>
EXPENDITURES				
Current:				
Public Works	2,346,853	2,358,971	2,081,044	277,927
Capital Outlay	<u>2,035,601</u>	<u>2,298,602</u>	<u>538,354</u>	<u>1,760,248</u>
Total Expenditures	<u>4,382,454</u>	<u>4,657,573</u>	<u>2,619,398</u>	<u>2,038,175</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(170,247)	(545,366)	1,575,901	2,121,267
Fund Balance - Beginning of Year	<u>1,736,239</u>	<u>1,736,239</u>	<u>1,736,239</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,565,992</u></u>	<u><u>\$ 1,190,873</u></u>	<u><u>\$ 3,312,140</u></u>	<u><u>\$ 2,121,267</u></u>

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

BUDGETARY POLICY AND CONTROL

Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a department. The City Manager is authorized to transfer appropriations within and between departments/projects provided there is no net increase in total appropriations at the department level.

Budgeted amounts presented are as originally adopted and as further amended by the City Council.

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Manager for carryover, with the notice to the City's Audit Committee. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover.

SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL FACILITIES CAPITAL PROJECTS AND IMPROVEMENT FUND – MAJOR FUND
 YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Developer Contributions	\$ 10,739,000	\$ 13,895,711	\$ 3,156,711
Total Revenues	<u>10,739,000</u>	<u>13,895,711</u>	<u>3,156,711</u>
EXPENDITURES			
Capital Outlay	252,299	29,688	222,611
Total Expenditures	<u>252,299</u>	<u>29,688</u>	<u>222,611</u>
EXCESS OF REVENUES OVER EXPENDITURES	10,486,701	13,866,023	3,379,322
Fund Balance - Beginning of Year	<u>29,974,224</u>	<u>29,974,224</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 40,460,925</u>	<u>\$ 43,840,247</u>	<u>\$ 3,379,322</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

NON-MAJOR FUNDS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2023**

SPECIAL REVENUE FUNDS

Air Quality Improvement Fund

This fund is used to account for the City's share of vehicle registration fees collected under AB2766 that the state of California has allocated to address air quality concerns in Southern California. These monies are to be used to fund programs to reduce air pollution from mobile sources such as cars, trucks, and buses.

Supplemental Law Enforcement Grant Fund

This fund is used to account for revenue and expenditures of the state funded Supplemental Law Enforcement Program.

Housing Authority Fund

This fund is used to account for revenue and expenditures of a portion of the affordable housing administration in the City.

AB 939 Fund

This fund is used to account for revenue and expenditures from the City's franchise hauler for the purpose of general recycling activities under AB 939.

Beverage Recycling Fund

This fund is used to account for revenue and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage recycling programs within the City.

Community Development Block Grant Fund

This fund is used to account for receipts and expenditures made under the federal Community Development Block Grant program.

Measure M Fund

This fund is used to account for the City's share of the sales tax increase authorized by Orange County's Measure "M". The monies are legally restricted for the acquisition, construction, and improvement of public streets and for the Senior Mobility Program.

CASP Program Fund

This fund is used to account for certified access specialist program (CASP) under AB 1379.

SB 1383 Organic Waste Recycling Fund

This fund is used to account for revenue and expenditures related to grant funding received from the California State Department of Resources Recycling and Recovery for the purpose of implementing SB1383 organic waste recycling requirements.

Cal-Fire LHMP Fund

This fund is used to account for revenue and expenditures related to grant funding received from Cal-Fire for the purpose of hazard mitigation.

**CITY OF LAKE FOREST
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2023**

SPECIAL REVENUE FUNDS (CONTINUED)

PLHA State Grant Fund

This fund is used to account for revenue and expenditures related to grant funding received from the California Department of Housing and Community Development for permanent local housing.

CAPITAL PROJECTS FUNDS

Lake Forest Transportation Mitigation Fund

This fund is used to account for developer impact fees to improve specific intersections City-wide.

Park Development Fund

This fund is used to account for developer impact fees and other funds received by the City for the specific purpose of constructing new parks or renovating existing parks.

Affordable Housing Fund

This fund is used to account for developer impact fees for affordable housing purposes and related capital projects.

Foothill Circulation Phasing Plan (FCPP) Fund

This fund is used to accumulate financial resources for the purpose of providing funds for acquisition construction of roads, bridges and intersection improvement as outlined by the Foothill Circulation Phasing Plan adopted by the County of Orange.

Meadows Traffic Improvement Fund

This fund is used to account for developer impact fees to improve specific intersections.

**CITY OF LAKE FOREST
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Special Revenue Funds					
	Air Quality Improvement	Supplemental Law Enforcement Grant	Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant
ASSETS						
Cash and Investments	\$ 594,615	\$ 317,058	\$ 1,318,944	\$ 10,170	\$ 31,441	\$ -
Receivables:						
Grants	-	-	-	-	-	268,768
Loans	-	-	199,145	-	-	2,183,007
Notes	-	-	94,000	-	-	-
Due from Other Governments	28,941	-	-	-	-	-
Total Assets	\$ 623,556	\$ 317,058	\$ 1,612,089	\$ 10,170	\$ 31,441	\$ 2,451,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 7,997	\$ 7,000	\$ 1,236	\$ 27	\$ 725	\$ 169,632
Retentions Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	99,136
Total Liabilities	7,997	7,000	1,236	27	725	268,768
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	28,941	-	94,000	-	-	-
Total Deferred Inflows of Resources	28,941	-	94,000	-	-	-
FUND BALANCES						
Restricted	586,618	310,058	1,516,853	10,143	30,716	2,183,007
Unassigned	-	-	-	-	-	-
Total Fund Balances	586,618	310,058	1,516,853	10,143	30,716	2,183,007
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 623,556	\$ 317,058	\$ 1,612,089	\$ 10,170	\$ 31,441	\$ 2,451,775

**CITY OF LAKE FOREST
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds				
	Measure M	CASP Program	SB1383 Organic Waste Recycling	Cal-Fire LHMP	PLHA State Grant
ASSETS					
Cash and Investments	\$ 3,861,013	\$ 35,071	\$ 101,057	\$ -	\$ -
Receivables:					
Grants	-	-	-	71,274	942,814
Loans	-	-	-	-	-
Notes	-	-	-	-	-
Due from Other Governments	331,566	-	-	-	-
Total Assets	\$ 4,192,579	\$ 35,071	\$ 101,057	\$ 71,274	\$ 942,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 5,396	\$ -	\$ 5,275	\$ 3,092	\$ -
Retentions Payable	-	-	-	-	-
Due to Other Funds	-	-	-	62,100	-
Total Liabilities	5,396	-	5,275	65,192	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	-	-	-	71,274	942,814
Total Deferred Inflows of Resources	-	-	-	71,274	942,814
FUND BALANCES					
Restricted	4,187,183	35,071	95,782	-	-
Unassigned	-	-	-	(65,192)	-
Total Fund Balances	4,187,183	35,071	95,782	(65,192)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,192,579	\$ 35,071	\$ 101,057	\$ 71,274	\$ 942,814

**CITY OF LAKE FOREST
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Capital Projects Funds					Total Other Governmental Funds
	Lake Forest Transportation Mitigation	Park Development	Affordable Housing	FCPP	Meadows Traffic Improvement	
ASSETS						
Cash and Investments	\$ 9,249,832	\$ 2,209,321	\$ 3,442,246	\$ 13,413,669	\$ 2,346,023	\$ 36,930,460
Receivables:						
Grants	-	230,725	-	-	-	1,513,581
Loans	-	-	-	-	-	2,382,152
Notes	-	-	3,700,000	-	-	3,794,000
Due from Other Governments	-	-	-	-	-	360,507
Total Assets	\$ 9,249,832	\$ 2,440,046	\$ 7,142,246	\$ 13,413,669	\$ 2,346,023	\$ 44,980,700
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 300,448	\$ 227,467	\$ -	\$ 76,994	\$ 26,963	\$ 832,252
Retentions Payable	57,359	27,689	-	-	-	85,048
Due to Other Funds	-	-	-	-	-	161,236
Total Liabilities	357,807	255,156	-	76,994	26,963	1,078,536
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	230,725	-	-	-	1,367,754
Total Deferred Inflows of Resources	-	230,725	-	-	-	1,367,754
FUND BALANCES						
Restricted	8,892,025	1,954,165	7,142,246	13,336,675	2,319,060	42,599,602
Unassigned	-	-	-	-	-	(65,192)
Total Fund Balances	8,892,025	1,954,165	7,142,246	13,336,675	2,319,060	42,534,410
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,249,832	\$ 2,440,046	\$ 7,142,246	\$ 13,413,669	\$ 2,346,023	\$ 44,980,700

**CITY OF LAKE FOREST
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds					
	Air Quality Improvement	Supplemental Law Enforcement Grant	Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant
REVENUES						
Intergovernmental	\$ 113,411	\$ 218,555	\$ -	\$ -	\$ 21,896	\$ 764,056
Charges for Services	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-
Investment Income	14,478	-	31,384	-	-	-
Other	-	-	9,162	50,926	-	-
Total Revenues	<u>127,889</u>	<u>218,555</u>	<u>40,546</u>	<u>50,926</u>	<u>21,896</u>	<u>764,056</u>
EXPENDITURES						
Current:						
Public Safety	-	225,000	-	-	-	-
Public Works	50,208	-	-	46,000	20,013	-
Community Development	-	-	45,439	-	-	339,784
Community Services	-	-	-	-	-	-
Capital Outlay	56,965	-	-	-	-	240,381
Total Expenditures	<u>107,173</u>	<u>225,000</u>	<u>45,439</u>	<u>46,000</u>	<u>20,013</u>	<u>580,165</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	20,716	(6,445)	(4,893)	4,926	1,883	183,891
OTHER FINANCING SOURCES						
Proceeds from sale of property	-	-	310,000	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>310,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	20,716	(6,445)	305,107	4,926	1,883	183,891
Fund Balances - Beginning of Year	<u>565,902</u>	<u>316,503</u>	<u>1,211,746</u>	<u>5,217</u>	<u>28,833</u>	<u>1,999,116</u>
FUND BALANCES - END OF YEAR	<u>\$ 586,618</u>	<u>\$ 310,058</u>	<u>\$ 1,516,853</u>	<u>\$ 10,143</u>	<u>\$ 30,716</u>	<u>\$ 2,183,007</u>

**CITY OF LAKE FOREST
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds				
	Measure M	CASP Program	SB1383	Cal-Fire LHMP	PLHA State Grant
			Organic Waste Recycling		
REVENUES					
Intergovernmental	\$ 2,023,447	\$ -	\$ -	\$ -	\$ -
Charges for Services	1,645	8,760	-	-	-
Developer Contributions	-	-	-	-	-
Investment Income	71,200	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>2,096,292</u>	<u>8,760</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Current:					
Public Safety	-	-	-	-	-
Public Works	-	-	17,970	-	-
Community Development	-	-	-	65,192	-
Community Services	72,281	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>72,281</u>	<u>-</u>	<u>17,970</u>	<u>65,192</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	2,024,011	8,760	(17,970)	(65,192)	-
OTHER FINANCING SOURCES					
Proceeds from sale of property	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,024,011	8,760	(17,970)	(65,192)	-
Fund Balances - Beginning of Year	<u>2,163,172</u>	<u>26,311</u>	<u>113,752</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,187,183</u>	<u>\$ 35,071</u>	<u>\$ 95,782</u>	<u>\$ (65,192)</u>	<u>\$ -</u>

**CITY OF LAKE FOREST
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Capital Projects Funds					Total Other Governmental Funds
	Lake Forest Transportation Mitigation	Park Development	Affordable Housing	FCPP	Meadows Traffic Improvement	
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,141,365
Charges for Services	-	-	-	-	-	10,405
Developer Contributions	-	-	-	2,835,869	-	2,835,869
Investment Income	247,927	61,729	82,762	292,339	-	801,819
Other	-	18,107	-	-	-	78,195
Total Revenues	247,927	79,836	82,762	3,128,208	-	6,867,653
EXPENDITURES						
Current:						
Public Safety	-	-	-	-	-	225,000
Public Works	45,638	-	-	-	-	179,829
Community Development	-	-	-	-	-	450,415
Community Services	-	-	-	-	-	72,281
Capital Outlay	1,598,467	768,145	-	293,094	279,766	3,236,818
Total Expenditures	1,644,105	768,145	-	293,094	279,766	4,164,343
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,396,178)	(688,309)	82,762	2,835,114	(279,766)	2,703,310
OTHER FINANCING SOURCES						
Proceeds from sale of property	-	-	-	-	-	310,000
Total Other Financing Sources	-	-	-	-	-	310,000
NET CHANGE IN FUND BALANCES	(1,396,178)	(688,309)	82,762	2,835,114	(279,766)	3,013,310
Fund Balances - Beginning of Year	10,288,203	2,642,474	7,059,484	10,501,561	2,598,826	39,521,100
FUND BALANCES - END OF YEAR	\$ 8,892,025	\$ 1,954,165	\$ 7,142,246	\$ 13,336,675	\$ 2,319,060	\$ 42,534,410

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 110,000	\$ 113,411	\$ 3,411
Investment Income	-	14,478	14,478
Total Revenues	<u>110,000</u>	<u>127,889</u>	<u>17,889</u>
EXPENDITURES			
Current:			
Public Works	59,201	50,208	8,993
Capital Outlay	636,082	56,965	579,117
Total Expenditures	<u>695,283</u>	<u>107,173</u>	<u>588,110</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(585,283)	20,716	605,999
Fund Balance - Beginning of Year	<u>565,902</u>	<u>565,902</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (19,381)</u>	<u>\$ 586,618</u>	<u>\$ 605,999</u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 SUPPLEMENTAL LAW ENFORCEMENT GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 125,000	\$ 218,555	\$ 93,555
Total Revenues	<u>125,000</u>	<u>218,555</u>	<u>93,555</u>
EXPENDITURES			
Current:			
Public Safety	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Total Expenditures	<u>225,000</u>	<u>225,000</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(100,000)	(6,445)	93,555
Fund Balance - Beginning of Year	<u>316,503</u>	<u>316,503</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 216,503</u></u>	<u><u>\$ 310,058</u></u>	<u><u>\$ 93,555</u></u>

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income	\$ 5,000	\$ 31,384	\$ 26,384
Other	7,600	9,162	1,562
Total Revenues	12,600	40,546	27,946
EXPENDITURES			
Current:			
Community Development	99,700	45,439	54,261
Capital Outlay	1,200,000	-	1,200,000
Total Expenditures	1,299,700	45,439	1,254,261
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,287,100)	(4,893)	1,282,207
OTHER FINANCING SOURCES			
Proceeds from sale of property	310,000	310,000	-
Total Other Financing Sources	310,000	310,000	-
NET CHANGE IN FUND BALANCE	(977,100)	305,107	1,282,207
Fund Balance - Beginning of Year	1,211,746	1,211,746	-
FUND BALANCE - END OF YEAR	\$ 234,646	\$ 1,516,853	\$ 1,282,207

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
AB 939 SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Other	\$ 46,000	\$ 50,926	\$ 4,926
Total Revenues	<u>46,000</u>	<u>50,926</u>	<u>4,926</u>
EXPENDITURES			
Current:			
Public Works	46,000	46,000	-
Total Expenditures	<u>46,000</u>	<u>46,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	4,926	4,926
Fund Balance - Beginning of Year	<u>5,217</u>	<u>5,217</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 5,217</u></u>	<u><u>\$ 10,143</u></u>	<u><u>\$ 4,926</u></u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 BEVERAGE RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 21,300	\$ 21,896	\$ 596
Total Revenues	21,300	21,896	596
EXPENDITURES			
Current:			
Public Works	20,013	20,013	-
Capital Outlay	8,937	-	8,937
Total Expenditures	28,950	20,013	8,937
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(7,650)	1,883	9,533
Fund Balance - Beginning of Year	28,833	28,833	-
FUND BALANCE - END OF YEAR	\$ 21,183	\$ 30,716	\$ 9,533

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 2,004,708	\$ 764,056	\$ (1,240,652)
Total Revenues	<u>2,004,708</u>	<u>764,056</u>	<u>(1,240,652)</u>
EXPENDITURES			
Current:			
Community Development	1,129,354	339,784	789,570
Capital Outlay	<u>875,356</u>	<u>240,381</u>	<u>634,975</u>
Total Expenditures	<u>2,004,710</u>	<u>580,165</u>	<u>1,424,545</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(2)	183,891	183,893
Fund Balance - Beginning of Year	<u>1,999,116</u>	<u>1,999,116</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,999,114</u>	<u>\$ 2,183,007</u>	<u>\$ 183,893</u>

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
MEASURE M SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 2,050,115	\$ 2,023,447	\$ (26,668)
Charges for Services	12,500	1,645	(10,855)
Investment Income	600	71,200	70,600
Total Revenues	<u>2,063,215</u>	<u>2,096,292</u>	<u>33,077</u>
EXPENDITURES			
Current:			
Community Services	82,500	72,281	10,219
Capital Outlay	2,001,252	-	2,001,252
Total Expenditures	<u>2,083,752</u>	<u>72,281</u>	<u>2,011,471</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(20,537)	2,024,011	2,044,548
Fund Balance - Beginning of Year	<u>2,163,172</u>	<u>2,163,172</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,142,635</u></u>	<u><u>\$ 4,187,183</u></u>	<u><u>\$ 2,044,548</u></u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CASP PROGRAM SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Charges for Services	\$ 5,000	\$ 8,760	\$ 3,760
Total Revenues	<u>5,000</u>	<u>8,760</u>	<u>3,760</u>
EXPENDITURES			
Current:			
Community Development	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	8,760	8,760
Fund Balance - Beginning of Year	<u>26,311</u>	<u>26,311</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 26,311</u></u>	<u><u>\$ 35,071</u></u>	<u><u>\$ 8,760</u></u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 SB1383 ORGANIC WASTE RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUES	-	-	-
EXPENDITURES			
Current:			
Public Works	105,483	17,970	87,513
Total Expenditures	<u>105,483</u>	<u>17,970</u>	<u>87,513</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,483)	(17,970)	87,513
Fund Balance - Beginning of Year	<u>113,752</u>	<u>113,752</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 8,269</u></u>	<u><u>\$ 95,782</u></u>	<u><u>\$ 87,513</u></u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CAL-FIRE LHMP SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 75,000	\$ -	\$ (75,000)
Total Revenues	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
EXPENDITURES			
Current:			
Community Development	<u>82,500</u>	<u>65,192</u>	<u>17,308</u>
Total Expenditures	<u>82,500</u>	<u>65,192</u>	<u>17,308</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,500)	(65,192)	(57,692)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (7,500)</u>	<u>\$ (65,192)</u>	<u>\$ (57,692)</u>

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
LAKE FOREST TRANSPORTATION MITIGATION CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Developer Contributions	\$ 148,700	\$ -	\$ (148,700)
Investment Income	1,000	247,927	246,927
Total Revenues	<u>149,700</u>	<u>247,927</u>	<u>98,227</u>
EXPENDITURES			
Current:			
Public Works	151,000	45,638	105,362
Capital Outlay	6,768,139	1,598,467	5,169,672
Total Expenditures	<u>6,919,139</u>	<u>1,644,105</u>	<u>5,275,034</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	(6,769,439)	(1,396,178)	(5,176,807)
Fund Balance - Beginning of Year	<u>10,288,203</u>	<u>10,288,203</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,518,764</u></u>	<u><u>\$ 8,892,025</u></u>	<u><u>\$ (5,176,807)</u></u>

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 230,725	\$ -	\$ (230,725)
Investment Income	1,000	61,729	60,729
Other	177,800	18,107	(159,693)
Total Revenues	409,525	79,836	(329,689)
EXPENDITURES			
Current:			
Capital Outlay	1,877,031	768,145	1,108,886
Total Expenditures	1,877,031	768,145	1,108,886
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,467,506)	(688,309)	779,197
Fund Balance - Beginning of Year	2,642,474	2,642,474	-
FUND BALANCE - END OF YEAR	\$ 1,174,968	\$ 1,954,165	\$ 779,197

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
AFFORDABLE HOUSING CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 82,762	\$ 82,762
Total Revenues	<u>-</u>	<u>82,762</u>	<u>82,762</u>
EXPENDITURES			
Capital Outlay	200,000	-	200,000
Total Expenditures	<u>200,000</u>	<u>-</u>	<u>200,000</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(200,000)	82,762	(117,238)
Fund Balance - Beginning of Year	<u>7,059,484</u>	<u>7,059,484</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,859,484</u>	<u>\$ 7,142,246</u>	<u>\$ (117,238)</u>

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
FCPP CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Developer Contributions	\$ 1,321,700	\$ 2,835,869	\$ 1,514,169
Investment Income	-	292,339	292,339
Total Revenues	1,321,700	3,128,208	1,806,508
 EXPENDITURES			
Capital Outlay	3,325,226	293,094	3,032,132
Total Expenditures	3,325,226	293,094	3,032,132
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(2,003,526)	2,835,114	4,838,640
 Fund Balance - Beginning of Year	10,501,561	10,501,561	-
 FUND BALANCE - END OF YEAR	\$ 8,498,035	\$ 13,336,675	\$ 4,838,640

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
MEADOWS TRAFFIC IMPROVEMENT CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Capital Outlay	<u>475,900</u>	<u>279,766</u>	<u>196,134</u>
Total Expenditures	<u>475,900</u>	<u>279,766</u>	<u>196,134</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(475,900)	(279,766)	196,134
Fund Balance - Beginning of Year	<u>2,598,826</u>	<u>2,598,826</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,122,926</u>	<u>\$ 2,319,060</u>	<u>\$ 196,134</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CUSTODIAL FUNDS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
CUSTODIAL FUNDS
JUNE 30, 2023**

Road Construction Programs Fund

This fund is used to account for monies collected on behalf of the County of Orange and held in an agency capacity by the City.

Strong Motion Instrumentation Program Fund

This fund is used to account for monies collected in conjunction with building permits for the Strong Motion Instrumentation Program. These fees are collected pursuant to state law and are remitted to the state of California quarterly.

Building Standards Administration Fund

This fund is used to account for monies collected in conjunction with building permits for development and education efforts associated with green building standards. Fees are collected pursuant to state law and are remitted to the California Building Standards Commission quarterly.

**CITY OF LAKE FOREST
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS
 JUNE 30, 2023**

	<u>Road Construction Programs</u>	<u>Strong Motion Instrumentation Program</u>	<u>Building Standards Administration</u>	<u>Total</u>
ASSETS				
Cash and Investments	<u>\$ 82,417</u>	<u>\$ 5,516</u>	<u>\$ 1,741</u>	<u>\$ 89,674</u>
NET POSITION				
Restricted for Other Governments	<u><u>\$ 82,417</u></u>	<u><u>\$ 5,516</u></u>	<u><u>\$ 1,741</u></u>	<u><u>\$ 89,674</u></u>

**CITY OF LAKE FOREST
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS
 YEAR ENDED JUNE 30, 2023**

	Road Construction Programs	Strong Motion Instrumentation Program	Building Standards Administration	Total Custodial Funds
ADDITIONS				
Fees Collected	\$ 4,855,262	\$ 28,075	\$ 10,015	\$ 4,893,352
DEDUCTIONS				
Payments to Organizations	4,917,068	38,505	11,305	4,966,878
CHANGE IN NET POSITION	(61,806)	(10,430)	(1,290)	(73,526)
Net Position - Beginning of Year	144,223	15,946	3,031	163,200
NET POSITION - END OF YEAR	<u>\$ 82,417</u>	<u>\$ 5,516</u>	<u>\$ 1,741</u>	<u>\$ 89,674</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF LAKE FOREST
DESCRIPTION OF STATISTICAL SECTION CONTENTS
JUNE 30, 2023**

This section of the City of Lake Forest's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

Sources:

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year. The City implemented GASB 34 in the year ended June 30, 2001; schedules presenting government-wide information include information beginning in that year.

**CITY OF LAKE FOREST
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2023	2022	2021	2020	2019
Governmental Activities:					
Net Investment in Capital					
Assets	\$ 348,428,158	\$ 354,931,142	\$ 364,478,865	\$ 369,539,737	\$ 350,135,051
Restricted	92,927,073	72,926,232	56,821,382	33,443,619	46,500,440
Unrestricted	111,333,965	104,627,188	73,718,459	67,713,709	62,454,098
Total Governmental Activities Net Position	<u>\$ 552,689,196</u>	<u>\$ 532,484,562</u>	<u>\$ 495,018,706</u>	<u>\$ 470,697,065</u>	<u>\$ 459,089,589</u>
Primary Government:					
Net Investment in Capital					
Assets	\$ 348,428,158	\$ 354,931,142	\$ 364,478,865	\$ 369,539,737	\$ 350,135,051
Restricted	92,927,073	72,926,232	56,821,382	33,443,619	46,500,440
Unrestricted	111,333,965	104,627,188	73,718,459	67,713,709	62,454,098
Total Primary Government Net Position	<u>\$ 552,689,196</u>	<u>\$ 532,484,562</u>	<u>\$ 495,018,706</u>	<u>\$ 470,697,065</u>	<u>\$ 459,089,589</u>

**CITY OF LAKE FOREST
NET POSITION BY COMPONENT (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental Activities:					
Net Investment in Capital					
Assets					
Restricted	\$ 306,575,269	\$ 289,675,809	\$ 290,672,787	\$ 295,972,599	\$ 279,126,412
Unrestricted	85,056,220	86,935,224	57,690,609	29,800,383	21,073,548
	<u>59,233,561</u>	<u>57,503,603</u>	<u>53,161,871</u>	<u>46,337,745</u>	<u>47,136,786</u>
Total Governmental Activities Net Position	<u>\$ 450,865,050</u>	<u>\$ 434,114,636</u>	<u>\$ 401,525,267</u>	<u>\$ 372,110,727</u>	<u>\$ 347,336,746</u>
Primary Government:					
Net Investment in Capital					
Assets					
Restricted	\$ 306,575,269	\$ 289,675,809	\$ 290,672,787	\$ 295,972,599	\$ 279,126,412
Unrestricted	85,056,220	86,935,224	57,690,609	29,800,383	21,073,548
	<u>59,233,561</u>	<u>57,503,603</u>	<u>53,161,871</u>	<u>46,337,745</u>	<u>47,136,786</u>
Total Primary Government Net Position	<u>\$ 450,865,050</u>	<u>\$ 434,114,636</u>	<u>\$ 401,525,267</u>	<u>\$ 372,110,727</u>	<u>\$ 347,336,746</u>

**CITY OF LAKE FOREST
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2023	2022	2021	2020	2019
Expenses:					
Governmental Activities:					
General Government	\$ 21,607,469	\$ 1,582,139	\$ 11,572,488	\$ 7,585,821	\$ 7,093,463
Public Safety	20,389,023	21,489,237	18,692,435	18,535,864	18,425,493
Public Works	23,656,425	27,486,429	25,618,790	28,288,176	24,444,530
Community Development	3,818,646	4,018,880	3,782,269	4,288,351	3,911,748
Management Services	1,302,142	1,058,709	968,139	2,152,820	1,984,013
Community Services	3,197,313	2,201,187	1,687,425	3,692,026	4,020,637
Redevelopment/Economic Development	-	-	-	-	-
Interest on Long-Term Debt	3,265	2,189	-	-	180,651
Total Governmental Activities Expenses	<u>73,974,283</u>	<u>57,838,770</u>	<u>62,321,546</u>	<u>64,543,058</u>	<u>60,060,535</u>
Program Revenues:					
Governmental Activities:					
Charges For Services:					
General Government	33,092	36,944	26,831	25,113	38,118
Public Safety	401,593	417,969	351,282	319,814	482,786
Public Works	1,378,911	1,829,610	1,783,741	2,378,094	2,483,073
Community Development	3,363,755	4,320,387	3,662,837	3,780,717	3,026,777
Management Services	-	-	-	26,083	49,433
Community Services	2,085,381	1,828,298	739,802	703,713	850,639
Operating Grants and Contributions	9,699,422	18,468,984	7,423,897	7,246,720	5,684,836
Capital Grants and Contributions	18,669,419	18,275,543	25,703,805	16,071,607	6,781,304
Total Governmental Activities Program Revenues	<u>35,631,573</u>	<u>45,177,735</u>	<u>39,692,195</u>	<u>30,551,861</u>	<u>19,396,966</u>
Total Primary Government Program Revenues	<u>35,631,573</u>	<u>45,177,735</u>	<u>39,692,195</u>	<u>30,551,861</u>	<u>19,396,966</u>
Net Expenses:					
Governmental Activities	<u>(38,342,710)</u>	<u>(12,661,035)</u>	<u>(22,629,351)</u>	<u>(33,991,197)</u>	<u>(40,663,569)</u>
Total Net Expenses	<u>(38,342,710)</u>	<u>(12,661,035)</u>	<u>(22,629,351)</u>	<u>(33,991,197)</u>	<u>(40,663,569)</u>
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property Taxes	24,912,549	23,650,507	22,325,072	21,393,000	20,162,559
Transient Occupancy Taxes	5,818,578	5,228,021	2,883,787	2,922,220	3,670,842
Other Taxes	2,961,162	2,702,922	2,641,459	2,477,570	2,663,628
Intergovernmental - Sales Tax	19,049,883	19,024,143	17,241,510	15,588,270	17,104,605
Investment Income	4,903,933	(1,188,181)	829,264	2,344,469	3,606,918
Other General Revenues	901,239	709,479	929,900	973,144	1,679,556
Total Governmental Activities	<u>58,547,344</u>	<u>50,126,891</u>	<u>46,850,992</u>	<u>45,698,673</u>	<u>48,888,108</u>
Total Primary Government	<u>58,547,344</u>	<u>50,126,891</u>	<u>46,850,992</u>	<u>45,698,673</u>	<u>48,888,108</u>
Changes In Net Position - Governmental Activities					
Before Extraordinary Items	20,204,634	37,465,856	24,221,641	11,707,476	8,224,539
Gain (Loss) on Sale of Property	-	-	454,896	-	-
Changes in Net Position - Governmental Activities	<u>20,204,634</u>	<u>37,465,856</u>	<u>24,676,537</u>	<u>11,707,476</u>	<u>8,224,539</u>
Total Primary Government	<u>\$ 20,204,634</u>	<u>\$ 37,465,856</u>	<u>\$ 24,676,537</u>	<u>\$ 11,707,476</u>	<u>\$ 8,224,539</u>

**CITY OF LAKE FOREST
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses:					
Governmental Activities:					
General Government	\$ 6,546,094	\$ 4,272,828	\$ 3,335,882	\$ 3,332,153	\$ 3,401,844
Public Safety	17,923,801	17,077,527	14,853,065	14,194,696	13,112,376
Public Works	24,687,112	23,524,052	20,500,898	20,092,962	16,586,125
Community Development	3,416,043	4,099,647	3,085,798	2,952,975	3,365,898
Management Services	1,685,829	3,530,256	4,282,761	3,851,942	3,921,282
Community Services	3,822,054	3,669,210	3,513,867	3,583,291	2,982,195
Redevelopment/Economic Development	1,259,409	1,364,991	1,303,781	1,399,347	1,257,816
Interest on Long-Term Debt	296,355	326,511	355,732	383,724	415,851
Total Governmental Activities Expenses	<u>59,636,697</u>	<u>57,865,022</u>	<u>51,231,784</u>	<u>49,791,090</u>	<u>45,043,387</u>
Program Revenues:					
Governmental Activities:					
Charges For Services:					
General Government	111,937	53,071	29,163	24,083	351
Public Safety	427,082	421,998	539,537	445,789	585,640
Public Works	2,211,935	2,256,578	1,557,687	1,201,162	972,382
Community Development	3,934,617	5,291,838	4,007,925	2,892,724	3,809,208
Management Services	38,477	29,702	22,175	19,212	36,251
Community Services	849,645	776,774	796,292	562,548	325,946
Operating Grants and Contributions	5,497,777	4,482,584	3,883,399	4,407,227	4,355,113
Capital Grants and Contributions	20,318,939	36,901,620	31,307,562	33,597,542	34,320,520
Total Governmental Activities Program Revenues	<u>33,390,409</u>	<u>50,214,165</u>	<u>42,143,740</u>	<u>43,150,287</u>	<u>44,405,411</u>
Total Primary Government Program Revenues	<u>33,390,409</u>	<u>50,214,165</u>	<u>42,143,740</u>	<u>43,150,287</u>	<u>44,405,411</u>
Net Expenses:					
Governmental Activities	<u>(26,246,288)</u>	<u>(7,650,857)</u>	<u>(9,088,044)</u>	<u>(6,640,803)</u>	<u>(637,976)</u>
Total Net Expenses	<u>(26,246,288)</u>	<u>(7,650,857)</u>	<u>(9,088,044)</u>	<u>(6,640,803)</u>	<u>(637,976)</u>
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property Taxes	18,729,118	17,387,743	16,481,857	15,556,617	14,999,228
Transient Occupancy Taxes	3,809,393	3,775,297	3,575,733	3,406,661	3,140,515
Other Taxes	2,506,724	2,355,130	2,565,754	2,620,206	2,358,139
Intergovernmental - Sales Tax	16,051,061	15,639,800	15,425,638	13,810,581	13,333,699
Investment Income	1,621,638	740,011	893,502	304,820	324,078
Other General Revenues	524,935	342,245	453,558	465,899	872,777
Total Governmental Activities	<u>43,242,869</u>	<u>40,240,226</u>	<u>39,396,042</u>	<u>36,164,784</u>	<u>35,028,436</u>
Total Primary Government	<u>43,242,869</u>	<u>40,240,226</u>	<u>39,396,042</u>	<u>36,164,784</u>	<u>35,028,436</u>
Changes In Net Position - Governmental Activities					
Before Extraordinary Items	16,996,581	32,589,369	30,307,998	29,523,981	34,390,460
Gain (Loss) on Sale of Property	-	-	(893,458)	-	-
Changes in Net Position - Governmental Activities	<u>16,996,581</u>	<u>32,589,369</u>	<u>29,414,540</u>	<u>29,523,981</u>	<u>34,390,460</u>
Total Primary Government	<u>\$ 16,996,581</u>	<u>\$ 32,589,369</u>	<u>\$ 29,414,540</u>	<u>\$ 29,523,981</u>	<u>\$ 34,390,460</u>

**CITY OF LAKE FOREST
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2023	2022	2021	2020	2019
General Fund:					
Nonspendable	\$ 35,002	\$ 68,807	\$ 729,906	\$ 3,518	\$ 264,614
Restricted	3,117,363	1,419,295	1,638,794	1,347,100	1,303,586
Assigned	7,134,413	9,182,788	9,933,798	11,988,737	21,165,375
Unassigned	100,687,390	82,067,591	63,701,475	55,915,468	31,438,240
	<u>110,974,168</u>	<u>92,738,481</u>	<u>76,003,973</u>	<u>69,254,823</u>	<u>54,171,815</u>
Total General Fund	<u>\$ 110,974,168</u>	<u>\$ 92,738,481</u>	<u>\$ 76,003,973</u>	<u>\$ 69,254,823</u>	<u>\$ 54,171,815</u>
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	89,751,989	71,231,563	54,915,772	29,272,151	44,642,003
Assigned	-	-	-	-	7,971,979
Unassigned	(65,192)	-	-	(1,045,938)	2
	<u>89,686,797</u>	<u>71,231,563</u>	<u>54,915,772</u>	<u>28,226,213</u>	<u>52,613,984</u>
Total All Other Governmental Funds	<u>\$ 89,686,797</u>	<u>\$ 71,231,563</u>	<u>\$ 54,915,772</u>	<u>\$ 28,226,213</u>	<u>\$ 52,613,984</u>

**CITY OF LAKE FOREST
 FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund:					
Nonspendable	\$ 177,773	\$ 226,841	\$ 178,475	\$ 303,476	\$ 163,350
Restricted	1,224,083	1,150,267	1,043,297	-	-
Assigned	9,664,400	9,278,800	8,849,600	8,222,100	8,149,100
Unassigned	41,264,992	38,435,970	33,963,474	38,472,716	34,469,805
	<u>41,264,992</u>	<u>38,435,970</u>	<u>33,963,474</u>	<u>38,472,716</u>	<u>34,469,805</u>
Total General Fund	<u>\$ 52,331,248</u>	<u>\$ 49,091,878</u>	<u>\$ 44,034,846</u>	<u>\$ 46,998,292</u>	<u>\$ 42,782,255</u>
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	78,509,217	85,612,637	56,647,312	29,800,383	21,073,548
Assigned	5,609,280	8,063,531	9,883,339	2,927,234	3,814,142
Unassigned	-	429,200	-	-	-
	<u>-</u>	<u>429,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 84,118,497</u>	<u>\$ 94,105,368</u>	<u>\$ 66,530,651</u>	<u>\$ 32,727,617</u>	<u>\$ 24,887,690</u>

**CITY OF LAKE FOREST
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues:					
Taxes	\$ 33,692,289	\$ 31,674,290	\$ 27,799,188	\$ 26,792,790	\$ 26,497,028
Licenses and Permits	2,765,576	3,193,228	2,467,593	2,395,798	1,911,831
Intergovernmental	14,099,853	9,953,576	5,935,919	6,816,782	6,266,256
Intergovernmental - Sales Tax	19,049,883	23,153,254	19,027,800	15,588,270	17,104,605
Charges for Services	4,356,190	5,136,464	3,423,212	4,531,028	4,558,338
Developer Contributions	17,099,800	18,447,083	26,035,925	14,577,646	5,245,729
Fines and Forfeitures	511,109	464,559	370,443	319,814	482,786
Investment Income	5,480,111	(1,365,506)	688,377	2,248,412	3,488,019
Other	682,749	653,938	1,172,984	1,799,981	8,044,385
Total Revenues	<u>97,737,560</u>	<u>91,310,886</u>	<u>86,921,441</u>	<u>75,070,521</u>	<u>73,598,977</u>
Expenditures:					
Current:					
General Government	11,159,737	6,337,866	6,598,978	6,564,058	7,047,438
Public Safety	20,371,501	21,443,418	18,626,410	18,469,839	18,373,444
Public Works	15,120,987	15,012,173	13,901,909	15,211,690	13,864,198
Community Development	3,818,646	4,018,880	3,782,269	4,288,351	3,911,748
Management Services	1,269,215	1,042,697	940,529	2,123,195	1,958,692
Community Services	3,189,387	2,200,862	1,683,018	3,687,619	4,016,020
Redevelopment/Economic Development	-	-	-	-	-
SERAF Payment to State	-	-	-	-	-
Capital Outlay	6,694,618	6,932,675	8,730,515	34,789,835	47,168,469
Debt Service:					
Principal Retirement	-	-	-	-	6,990,000
Principal Retirement - Leases	14,040	13,373	-	-	-
Principal Retirement - SBITAs	132,598	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	203,602
Interest - Leases	1,523	2,189	-	-	-
Interest - SBITAs	1,742	-	-	-	-
Pass-Through Payments	-	-	-	-	-
Total Expenditures	<u>61,773,994</u>	<u>57,004,133</u>	<u>54,263,628</u>	<u>85,134,587</u>	<u>103,533,611</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	35,963,566	34,306,753	32,657,813	(10,064,066)	(29,934,634)
Other Financing Sources (Uses):					
Transfers In	-	144,292	-	460,131	12,626,644
Transfers Out	-	(144,292)	-	-	(12,626,644)
Insurance Proceeds	-	-	-	299,074	270,786
Proceeds from Sale of Capital Assets	310,000	-	780,896	-	-
SBITA Financing	417,355	-	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>727,355</u>	<u>-</u>	<u>780,896</u>	<u>759,205</u>	<u>270,786</u>

**CITY OF LAKE FOREST
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues:					
Taxes	\$ 25,045,234	\$ 23,518,169	\$ 22,623,344	\$ 21,583,487	\$ 20,497,881
Licenses and Permits	2,896,694	4,143,620	2,790,321	2,200,371	2,640,893
Intergovernmental	5,656,807	6,082,999	5,299,236	5,290,837	5,680,608
Intergovernmental - Sales Tax	16,051,061	15,639,800	15,425,638	13,810,581	13,333,699
Charges for Services	4,485,677	3,851,938	3,622,922	2,499,356	2,503,247
Developer Contributions	14,154,993	34,508,514	30,398,863	18,099,875	32,492,822
Fines and Forfeitures	427,082	421,998	539,537	445,789	585,640
Investment Income	1,499,305	630,072	743,633	184,350	203,521
Other	1,544,301	445,176	560,925	660,722	1,550,729
Total Revenues	<u>71,761,154</u>	<u>89,242,286</u>	<u>82,004,419</u>	<u>64,775,368</u>	<u>79,489,040</u>
Expenditures:					
Current:					
General Government	8,505,683	4,016,228	3,581,304	3,420,787	3,243,702
Public Safety	17,884,907	17,038,633	14,814,171	14,174,946	13,111,640
Public Works	13,224,651	12,007,222	11,856,321	10,209,731	8,902,113
Community Development	3,416,043	4,099,647	3,085,798	2,952,975	3,365,898
Management Services	1,648,719	3,422,954	8,023,916	3,699,805	3,766,966
Community Services	3,817,436	3,664,055	3,511,798	3,580,642	2,980,126
Redevelopment/Economic Development	1,259,409	1,364,991	1,614,624	1,399,347	1,257,817
SERAF Payment to State	-	-	-	-	-
Capital Outlay	27,662,859	9,912,817	3,257,753	12,195,149	35,175,690
Debt Service:					
Principal Retirement	790,000	755,000	735,000	700,000	995,000
Principal Retirement - Leases	-	-	-	-	-
Principal Retirement - SBITAs	-	-	-	-	-
Interest and Fiscal Charges	298,948	328,990	358,146	386,022	419,118
Interest - Leases	-	-	-	-	-
Interest - SBITAs	-	-	-	-	-
Pass-Through Payments	-	-	-	-	-
Total Expenditures	<u>78,508,655</u>	<u>56,610,537</u>	<u>50,838,831</u>	<u>52,719,404</u>	<u>73,218,070</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	(6,747,501)	32,631,749	31,165,588	12,055,964	6,270,970
Other Financing Sources (Uses):					
Transfers In	19,685,984	1,084,000	10,784,300	1,511,022	11,815,048
Transfers Out	(19,685,984)	(1,084,000)	(10,784,300)	(1,511,022)	(11,815,048)
Insurance Proceeds	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
SBITA Financing	-	-	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF LAKE FOREST
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (IN THOUSANDS OF DOLLARS)**

Fiscal Year Ended June 30,	Residential	Commercial	Industrial	Misc.	Total Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
2023	\$ 15,108,539	\$ 2,434,708	\$ 1,649,475	\$ 23	\$ 19,192,745	\$ 844,762	\$ 20,037,507	0.141%
2022	14,141,017	2,342,479	1,528,133	20,209	18,031,838	846,366	18,878,204	0.141
2021	13,358,706	2,229,640	1,438,474	3,773	17,030,593	866,811	17,897,404	0.141
2020	12,630,711	2,130,260	1,384,127	3,701	16,148,799	866,510	17,015,309	0.141
2019	11,557,423	2,023,829	1,318,444	3,630	14,903,326	837,756	15,741,082	0.141
2018	10,695,451	1,826,903	1,244,976	9,411	13,776,741	829,827	14,606,568	0.141
2017	9,729,426	1,791,989	1,220,858	70,883	12,813,156	787,421	13,600,577	0.141
2016	8,745,124	1,757,313	1,196,728	108,993	11,808,158	764,235	12,572,393	0.141
2015	8,181,992	1,717,288	1,140,991	76,036	11,116,307	804,932	11,921,239	0.141
2014	7,617,416	1,702,038	1,222,872	79,979	10,622,305	610,661	11,232,966	0.141

Sources: County Assessor data

(1) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

*Assessed Values do not include Homeowner Exemptions

**CITY OF LAKE FOREST
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER \$100 OF TAXABLE VALUE)**

	Fiscal Year				
	2023	2022	2021	2020	2019
Basic Levy:					
City of Lake Forest	0.04190	0.04190	0.04190	0.04190	0.04190
City of Lake Forest Community Service Area Reorganization	0.07070	0.07070	0.07070	0.07070	0.07070
City of Lake Forest Lighting Fund	0.01692	0.01692	0.01692	0.01692	0.01692
City of Lake Forest AB 1406	0.01167	0.01167	0.01167	0.01167	0.01167
Total City Direct Rate	<u>0.14119</u>	<u>0.14119</u>	<u>0.14119</u>	<u>0.14119</u>	<u>0.14119</u>
Overlapping Rates:					
Saddleback Valley Unified General Fund	0.43640	0.43640	0.43640	0.43640	0.43640
Educational Revenue Augmentation Fund	0.11100	0.11100	0.11100	0.11100	0.11100
Orange County Fire Authority	0.10821	0.10821	0.10821	0.10821	0.10821
South Orange County Community College District	0.08522	0.08522	0.08522	0.08522	0.08522
Orange County General Fund	0.03102	0.03102	0.03102	0.03102	0.03102
Orange County Flood Control General Fund	0.01904	0.01904	0.01904	0.01904	0.01904
Los Alisos Water District General Fund	0.01719	0.01719	0.01719	0.01719	0.01719
Orange County Library District General Fund	0.01605	0.01605	0.01605	0.01605	0.01605
Orange County Department of Education	0.01571	0.01571	0.01571	0.01571	0.01571
Orange County Harbors, Beaches, and Parks	0.01472	0.01472	0.01472	0.01472	0.01472
Orange County Transportation Authority	0.00270	0.00270	0.00270	0.00270	0.00270
Orange County Vector Control District	0.00107	0.00107	0.00107	0.00107	0.00107
Orange County Cemetery District	0.00048	0.00048	0.00048	0.00048	0.00048
Total Basic Levy	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Additional Levies (Voter-Approved Rates):					
Irvine Ranch Water District	0.089200	0.089200	0.089200	0.165000	0.165000
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Saddleback Valley Unified School District Bond	0.022270	0.022000	0.023360	0.022950	0.023920
Total Voter-Approved Levies	<u>0.11497</u>	<u>0.11470</u>	<u>0.11606</u>	<u>0.19145</u>	<u>0.19242</u>
Total Tax Rate	<u><u>1.11497</u></u>	<u><u>1.11470</u></u>	<u><u>1.11606</u></u>	<u><u>1.19145</u></u>	<u><u>1.19242</u></u>

NOTES

There are 126 Tax Rate Areas (TRA) in Lake Forest. The above is for Tax Rate Area 30-015. City tax rates vary significantly by TRA. In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. The table has been restated from previously published CAFR and annual reports to reflect a consistent reporting methodology in compliance with GASB 44.

Source: Orange County Auditor/Controller data

**CITY OF LAKE FOREST
DIRECT AND OVERLAPPING PROPERTY TAX RATES (CONTINUED)
LAST TEN FISCAL YEARS
(RATE PER \$100 OF TAXABLE VALUE)**

	Fiscal Year				
	2018	2017	2016	2015	2014
Basic Levy:					
City of Lake Forest	0.04186	0.04186	0.04186	0.04186	0.04186
City of Lake Forest Community Service Area Reorganization	0.07075	0.07075	0.07075	0.07075	0.07075
City of Lake Forest Lighting Fund	0.01692	0.01692	0.01692	0.01692	0.01692
City of Lake Forest AB 1406	0.01167	0.01167	0.01167	0.01167	0.01167
Total City Direct Rate	<u>0.14119</u>	<u>0.14119</u>	<u>0.14119</u>	<u>0.14119</u>	<u>0.14119</u>
Overlapping Rates:					
Saddleback Valley Unified General Fund	0.43637	0.43637	0.43637	0.43637	0.43637
Educational Revenue Augmentation Fund	0.11103	0.11103	0.11103	0.11103	0.11103
Orange County Fire Authority	0.10821	0.10821	0.10821	0.10821	0.10821
South Orange County Community College District	0.08522	0.08522	0.08522	0.08522	0.08522
Orange County General Fund	0.03102	0.03103	0.03103	0.03103	0.03103
Orange County Flood Control General Fund	0.01904	0.01904	0.01904	0.01904	0.01904
Los Alisos Water District General Fund	0.01719	0.01719	0.01719	0.01719	0.01719
Orange County Library District General Fund	0.01605	0.01605	0.01605	0.01605	0.01605
Orange County Department of Education	0.01571	0.01571	0.01571	0.01571	0.01571
Orange County Harbors, Beaches, and Parks	0.01472	0.01472	0.01472	0.01472	0.01472
Orange County Transportation Authority	0.00270	0.00270	0.00270	0.00270	0.00270
Orange County Vector Control District	0.00107	0.00108	0.00108	0.00108	0.00108
Orange County Cemetery District	0.00048	0.00048	0.00048	0.00048	0.00048
Total Basic Levy	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Additional Levies (Voter-Approved Rates):					
Irvine Ranch Water District	0.165000	0.253420	0.253420	0.253420	0.37394
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.00350
Saddleback Valley Unified School District Bond	0.023650	0.026680	0.030080	0.028060	0.03207
Total Voter-Approved Levies	<u>0.19215</u>	<u>0.28360</u>	<u>0.28700</u>	<u>0.28498</u>	<u>0.40951</u>
Total Tax Rate	<u><u>1.19215</u></u>	<u><u>1.28360</u></u>	<u><u>1.28700</u></u>	<u><u>1.28498</u></u>	<u><u>1.40951</u></u>

**CITY OF LAKE FOREST
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2022-23		2013-2014	
	Assessed Value	Percent of Total Assessed Value	Assessed Value	Percent of Total Assessed Value
Oakley Inc.	\$ 217,770,105	1.09 %	\$ 140,678,127	1.25 %
Orchard Lake Forest Ca Lp	132,833,821	0.66	124,439,999	1.11
Prologis California I LLC	131,310,677	0.66	59,878,932	0.53
Avalon Baker Ranch LP	119,862,902	0.60	-	-
Exchange Pacific Vista Commercentre Dr.	82,476,974	0.41	-	-
Applied Medical Resources Corporation	81,989,049	0.41	-	-
Buchheim Properties	78,225,332	0.39	46,926,107	0.42
Panasonic Avionics Corporation	76,253,352	0.38	107,337,329	0.96
CCF Industries Spectrum LLC	62,392,052	0.31	-	-
Tae Technologies Inc	60,336,112	0.30	-	-
Lake Forest 131 Investors LP	59,286,133	0.30	-	-
ComRef SO CA Industrial Sub F/G LLC	56,571,553	0.28	49,255,550	0.44
Canon Property Holdings LLC	55,106,641	0.28	-	-
B9 Sequoia Canada Center Owner LP	52,615,640	0.26	-	-
Avalon Arboretum LP	49,800,436	0.25	42,916,500	0.38
WLCO LF Partners	49,307,643	0.25	42,428,636	0.38
BCORE Retail Heritage Hill LLC	49,195,386	0.25	-	-
U.S. REIF Lake Forest Village California	45,935,873	0.23	38,482,441	0.34
Foothill-Pacific Towne Centre	44,748,506	0.22	36,359,446	0.32
Lake Forest Income Partners Holdco LLC	44,562,609	0.22	-	-
Cadigan Canyon Woods Apartments LLC	44,206,412	0.22	-	-
Pinnacle Asset Management Group LLC	43,745,843	0.22	-	-
The Arbors Lake Forest Owner LLC	42,078,368	0.21	-	-
KB Palm Terrace DST	41,820,000	0.21	-	-
EQR-Siena Terrace LLC	41,456,001	0.21	-	-
Acquiport Three Corporation	-	-	44,537,302	0.40
Shea Baker Ranch Associates LLC	-	-	50,041,444	0.45
Walton CWCA Spectrum 56 LLC	-	-	60,943,720	0.54
CREF Pacific Vista, LLC.	-	-	59,000,000	0.53
Metropolitan Life Insurance Co	-	-	49,692,258	0.44
CPUS Foothill Plaza LP	-	-	36,625,302	0.33
L M NO 12 (LAKE FOREST II)	-	-	36,261,857	0.32
Arden Realty LP	-	-	35,831,376	0.32
EQR Sombra 2008 LP	-	-	34,017,255	0.30
Bayport Serrano Association LP	-	-	31,547,906	0.28
AEW LT 50 Icon LLC	-	-	31,342,200	0.28
Walton CWCA Lake Forest 67 LLC	-	-	31,023,273	0.28
Casa Pacifica	-	-	30,667,405	0.27
Sequoia Equities-Paloma	-	-	29,486,473	0.26
EQR-Siena Terrace LLC	-	-	35,764,555	0.32
Top Twenty-Five Totals	1,763,887,420	8.80 %	1,285,485,393	11.44 %
City Totals	\$ 20,033,504,174	100.00 %	\$ 11,232,732,809	100.00 %

NOTES

Total assessed value includes all City property tax and Redevelopment Agency tax increment but excludes Vehicle License Fee Backfill amounts.

Source: MuniServices, LLC, City Finance Department

**CITY OF LAKE FOREST
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of Levy		Collections in Subsequent Years**	Total Collections to Date	
		Amount*	Percent of Levy		Amount	Percent of Levy
2023	\$ 11,687,964	\$ 11,497,182	98.37%	\$ -	\$ 11,497,182	98.37%
2022	11,012,192	10,828,603	98.33	-	10,828,603	98.33
2021	10,548,960	10,389,916	98.49	-	10,389,916	98.49
2020	10,163,586	9,986,140	98.25	-	9,986,140	98.25
2019	9,569,152	9,396,696	98.20	-	9,396,696	98.20
2018	8,855,280	8,705,865	98.31	-	8,705,865	98.31
2017	8,304,110	8,172,103	98.41	-	8,172,103	98.41
2016	7,819,055	7,659,963	97.97	-	7,659,963	97.97
2015	7,305,141	7,113,455	97.38	-	7,113,455	97.38
2014	6,949,847	6,773,880	97.47	-	6,773,880	97.47

* City property tax only, excluding prior year, penalties and interest. Includes secured apportionment only.

** These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year from Fiscal Year 2005-06 forward; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years. Penalties and interest were not recorded separately prior to Fiscal Year 2004-05.

Source: Orange County Auditor Controller's Office

**CITY OF LAKE FOREST
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Certificates of Participation	Lease Liabilities	SBITA Liabilities	Total Governmental Activities	Total Primary Government	Percentage of Total Assessed Valuation	Percentage of Personal Income	Debt Per Capita
2023	\$ -	\$ 20,722	\$ 476,676	\$ 497,398	\$ 497,398	0.00%	*	6
2022	-	34,762	-	34,762	34,762	0.00	*	-
2021	-	-	-	-	-	-	*	-
2020	-	-	-	-	-	-	*	-
2019	-	-	-	-	-	-	*	-
2018	6,990,000	-	-	6,990,000	6,990,000	0.05	*	82
2017	7,780,000	-	-	7,780,000	7,780,000	0.06	3.73%	90
2016	8,535,000	-	-	8,535,000	8,535,000	0.07	4.33	99
2015	9,270,000	-	-	9,270,000	9,270,000	0.08	5.06	107
2014	9,970,000	-	-	9,970,000	9,970,000	0.09	5.75	115

NOTES

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF LAKE FOREST
DIRECT AND OVERLAPPING DEBT
JUNE 30, 2023**

	Total Debt June 30, 2023	Percentage Applicable (1)	City's Share of Debt
Direct and Overlapping Tax and Assessment Debt:			
Metropolitan Water District	\$ 19,215,000	0.551%	\$ 105,875
Saddleback Valley Unified School District	83,545,000	39.902	33,336,126
Irvine Ranch Water District I.D. No. 125	162,186,374	16.890	27,393,279
Irvine Ranch Water District I.D. No. 185	3,157,462	100.000	3,157,462
Irvine Ranch Water District I.D. No. 188	1,747,470	100.000	1,747,470
Irvine Ranch Water District I.D. No. 225	236,495,176	19.229	45,475,657
Irvine Ranch Water District I.D. No. 288	138,572	100.000	138,572
Total Direct and Overlapping Tax and Assessment Debt			111,354,441
Overlapping General Fund Obligation Debt:			
Orange County General Fund Obligations Orange County Board of Education	451,165,000	2.768	12,488,247
General Fund Obligations	10,860,000	2.768	300,605
City of Lake Forest Certificates of Participation	-	100.000	-
Total Gross Overlapping General Fund Obligation Debt			12,788,852
Overlapping Tax Increment Debt (Successor Agencies):			
City of Lake Forest El Toro Road Improvements Certificates of Participation	4,755,000	97.530	4,637,552
Total Overlapping Tax Increment Debt			\$ 4,637,552
Total Direct Debt			\$ -
Total Gross Overlapping Debt			\$ 128,780,845
Gross Combined Total Debt (2)			\$ 128,780,845
Net Combined Total Debt			\$ 128,780,845

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed valuation within the boundaries of the City divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, enterprise revenue, mortgage revenue, and non-bonded lease obligations.

**CITY OF LAKE FOREST
DIRECT AND OVERLAPPING DEBT (CONTINUED)
JUNE 30, 2023**

Ratios to 2022-23 Assessed Valuation:	
2022-23 Assessed Valuation	\$ 20,061,521,691
Total Overlapping Tax and Assessment Debt Ratios to Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	0.56%
Total Direct Debt (\$-0-)	0.00%
Combined Total Debt	0.64%
Ratios to Redevelopment Incremental Value (\$1,152,966,564):	
Total Overlapping Tax Increment Debt	0.40%

NOTES

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF LAKE FOREST
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Fiscal Year	Total Assessed Value of All Real and Personal Property	Debt Limit Percentage	Debt Limit	Amount of Debt Applicable to Debt Limit	Legal Debt Margin
2023	\$ 20,418,749,294	15%	\$ 3,062,812,394	\$ -	\$ 3,062,812,394
2022	19,208,640,861	15	2,881,296,129	-	2,881,296,129
2021	18,890,932,774	15	2,833,639,916	-	2,833,639,916
2020	17,183,987,585	15	2,577,598,138	-	2,577,598,138
2019	15,968,846,956	15	2,395,327,043	-	2,395,327,043
2018	14,701,560,696	15	2,205,234,104	-	2,205,234,104
2017	13,710,657,105	15	2,056,598,566	-	2,056,598,566
2016	12,672,969,354	15	1,900,945,403	-	1,900,945,403
2015	11,921,239,173	15	1,788,185,876	-	1,788,185,876
2014	11,238,774,618	15	1,685,816,193	-	1,685,816,193

Source: City Finance Department

**CITY OF LAKE FOREST
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in Thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2023	87,127	*	*	3.5%
2022	86,775	*	*	2.5
2021	84,538	\$ 247,744,952	\$ 81,177	5.5
2020	84,711	236,303,451	74,618	9.7
2019	86,346	221,803,099	69,951	2.7
2018	84,845	220,684,684	69,268	2.6
2017	84,931	208,635,019	65,400	2.3
2016	83,910	196,920,661	62,071	2.9
2015	80,070	183,052,341	57,749	2.9
2014	79,139	173,305,650	55,096	3.3

* Data is unavailable.

Sources:

- (1) State Department of Finance
- (2) Bureau of Economic Analysis (Orange County data)
- (3) Bureau of Labor Statistics (Lake Forest data)

**CITY OF LAKE FOREST
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2023		2014	
	Number of Employees*	Percent of Total Employment	Number of Employees*	Percent of Total Employment
Oakley Inc.	1,275	02.68 %	2,291	4.83 %
Cox Communications	450	00.95	-	-
Bal Seal Engineering	420	00.88	400	0.84
Wal-Mart	334	0.70	311	0.66
Loan Depot	333	0.70	1,162	2.45
Home Depot USA Inc.	300	0.63	300	0.63
Kawasaki Motors Corp., U.S.A.	300	0.63	-	-
Spectrum Brands HHI	238	0.50	420	0.89
Dynacast	180	0.38	251	0.53
Schneider Electric (formerly Invensys Corporation)	67	0.14	540	1.14
Panasonic Avionics	-	-	1,789	3.77
Stanley Black & Decker	-	-	-	-
Apria Healthcare Group Inc.	-	-	445	0.94
Wonderware Corp.	-	-	-	-
Wet Seal	-	-	196	0.41
U.S. Real Estate Services, Inc.	-	-	-	-
Sole Technology, Inc.	-	-	-	-
Saddleback Valley School District	-	-	-	-
Skilled Healthcare	-	-	350	0.74
Alcon Research	-	-	313	0.66
Spectrum Care	-	-	300	0.63
Ossur Americas	-	-	160	0.34
	<u>3,897</u>	<u>08.20 %</u>	<u>9,228</u>	<u>19.47 %</u>
Total Employment**	47,500		47,400	

Sources:

* Information provided by companies

** California Employment Development - September 2023

**CITY OF LAKE FOREST
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

		Full-Time and Part-time Employees as of June 30,									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Function:											
General Government		32	31	26	28	28	28	32	33	30	30
Public Works		16	17	17	17	17	17	17	16	13	12
Development Services		15	12	12	14	14	12	9	9	9	11
Community Services*		69	61	65	116	116	100	90	85	87	66
Police Services		1	1	1	1	1	1	1	1	1	1
		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total		<u>133</u>	<u>122</u>	<u>121</u>	<u>176</u>	<u>176</u>	<u>158</u>	<u>149</u>	<u>144</u>	<u>140</u>	<u>120</u>

* Hours for part-time positions were previously summed to equal a full-time position. Beginning in 2011, each part-time position is counted individually.

Source: City Finance Department

**CITY OF LAKE FOREST
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police*:										
Arrests	1,407	1,428	1,429	1,478	853	875	719	843	718	829
Number of Calls Responded to	27,558	27,339	26,678	29,375	32,294	29,591	29,300	30,447	23,093	23,187
Public Works:										
Street Resurfacing (in Miles)	-	1.60	-	6.85	0.00	0.00	3.00	10.00	16.00	9.00
Parks And Recreation:										
Number of Recreation										
Classes**	944	941	1,767	603	1,158	1,393	1,137	1,127	993	883
Number of Facility Rentals	836	552	400	538	636	633	659	679	439	349

* Police services are contracted through the County of Orange.

** The City contracts with the Saddleback Valley Unified School District for various recreation services; the number of classes shown above represents classes offered directly by the City.

**CITY OF LAKE FOREST
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works:										
Streets (Miles)	204	204	170	167	160	160	159	157	151	151
Traffic Signals	104	104	104	104	102	102	97	97	98	97
Parks and Recreation:										
Parks	31	31	31	30	29	29	29	29	29	27
Community Centers	5	5	5	5	2	2	2	2	2	1

Source: City of Lake Forest