

CITY OF LAKE FOREST, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

Prepared by:

Finance Department

Kevin R. Shirah
Director of Finance/City Treasurer

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INTRODUCTORY INFORMATION

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Mayor
Doug Cirbo

Mayor Pro Tem
Mark Tetterer

Council Members
Robert Pequeño
Scott Voigts
Benjamin Yu

City Manager
Debra DeBruhl Rose

November 21, 2024

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, 2024, 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 CliftonLarsonAllen LLP (“CLA”), 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, 2024, 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, 2024, were presented fairly and 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, 2024.

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 87,127. It is the County's 11th largest city and the second 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 spring of odd-numbered years preceding the commencement of the two-year budget cycle. The City Council then holds required public hearings on the proposed budget and adopts 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 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 2023-25 budget, the City forecasted a stable but challenging economic environment following slower economic times as the City continued reopening and resuming pre-pandemic activities. Due to the uncertainty of long-term impacts to transient occupancy tax (TOT) and sales tax revenues, the City has approached its current budget cycle with a conservative financial vision. While inflation remains a general concern, spending at local restaurants, retail outlets, and hotels continues to be robust, and sales tax and TOT tax revenues reached 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 located within the City's boundaries include manufacturing (13.0%), professional, scientific, and technical (13.1%) and health care/social assistance (11.4%). In addition, companies contributing to the City's tax base are well diversified among retail trade, finance, insurance, real estate, and hospitality services.

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 2024 compared to 2.5% 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 contractual services 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 35.5% of the General Fund operating budget. Contract services cost increases have also been attributed to the City Council's dedication to infrastructure maintenance, traffic mitigation and improvements, 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 2023-25 budget, the City's economy held stable, and the budget was increased accordingly.

Long-Term Financial Planning

An unassigned fund balance in the General Fund of \$110.1 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 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 people.

As Lake Forest continues its transition to a maintenance city, city goals and priorities shift towards continual improvement of the quality of life and current service offerings, improving technologies, and

planning the City's financial future. Projects initiated over the past year include introducing a new in-house parking enforcement program, a new community outreach program (homeless response), passport services, translation services, online permit processing for building and safety services, launching an eProcurement system for internal procurement process optimization, and implementing cyber security improvements. New, communitywide special events were also launched, including Taste of Lake Forest 2.0, the inaugural Multicultural Festival, commemoration of the 25th Anniversary of El Toro Marine Corps Base Closure, and the Youth in Government Day at El Toro High School.

Relevant Financial Policies

The City's Financial Management and Budgetary Policy, as originally adopted October 20, 2020, and most recently revised on June 4, 2024, 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") assigns over eight million dollars in economic support funds to various business types. The intent of SEIP is to facilitate economic development for businesses impacted by the COVID-19 pandemic. The program launched the Community Gift Card Program which allowed residents and visitors to purchase a community gift card to work exclusively at local businesses signed up to participate in the program. People who purchased a gift card received 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. Currently, six 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 2023-24 the City completed park improvements at Rancho Serrano, Arbor Mini Park, Portola Center Park, Regency Park, Sundowner Park, and Vintage Park, as well as multiple ADA ramps throughout the city. Improvements at the intersection of El Toro & Portola were completed, as well as traffic improvement measures along Los Alisos Boulevard.

Capital Improvement Plan: The 2023-25 budget cycle for the 2023-2030 Capital Improvement Plan (CIP) included thirty-four proposed capital projects, totaling \$22 million dollars. Two additional CIP projects were added mid-cycle with appropriating funds for FY 2024-25 at the June 4, 2024, City Council meeting with a budget of \$685,000. The City also continues to work on thirty-four ongoing projects worth an additional \$13.5 million investment in the community. These projects are designed to improve safety, increase traffic flow, repair or improve facilities and amenities, and sustain 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, lighting improvements, and playground resurfacing.

Responding to State Mandates: As State Mandates are established, the City is actively responding to meet obligations. The City's Housing Element was certified by the State Department of Housing and Community Development in 2023, making the City one of the only municipalities in Orange County to receive a positive response at that time. The City also implemented mixed-use zoning standards in compliance with State law while preserving local input. On March 1, 2024, the City celebrated the grand opening of Mountain View, its third affordable housing community stemming from the Opportunities Study.

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 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. During Fiscal Year 2023-24, the first Youth in Government Day at El Toro High School commenced where students get involved with government on the local level and build political acumen through interacting with City Officials.

Enhanced Waste Management Efficiency: The City achieved a significant milestone by securing a highly efficient solid waste contract with CR&R Incorporated, in partnership with Laguna Hills, to enhance waste management services citywide, providing residents with optimized collection and recycling at a lower cost due to streamlined operations. The City's commitment to innovative partnerships like this reflect its dedication to environmental stewardship and delivering outstanding municipal services to its community. Enhanced services will begin in July 2025.

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 the "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 2023-24 as part of SEIP, the City continued 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 City achieved the following notable awards during the Fiscal Year 2023-24:

- Association of California Cities-Orange County (ACC-OC) Golden Hub of Innovation Award in the Collaborative Community Development & Innovation category: *City's Strategic Economic Investment Program (SEIP)*
- American Society of Civil Engineers-Orange County Branch (ASCE-OC) 2023 Outstanding Parks & Recreation Project Award: *Neighborhood Park Renovations at Vintage Park.*

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, 2024. This was the twenty-ninth consecutive year that the City has received this prestigious award. To receive a Certificate of Achievement award, 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 the City's current annual comprehensive financial report continues to meet the Certificate of Achievement Program 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**

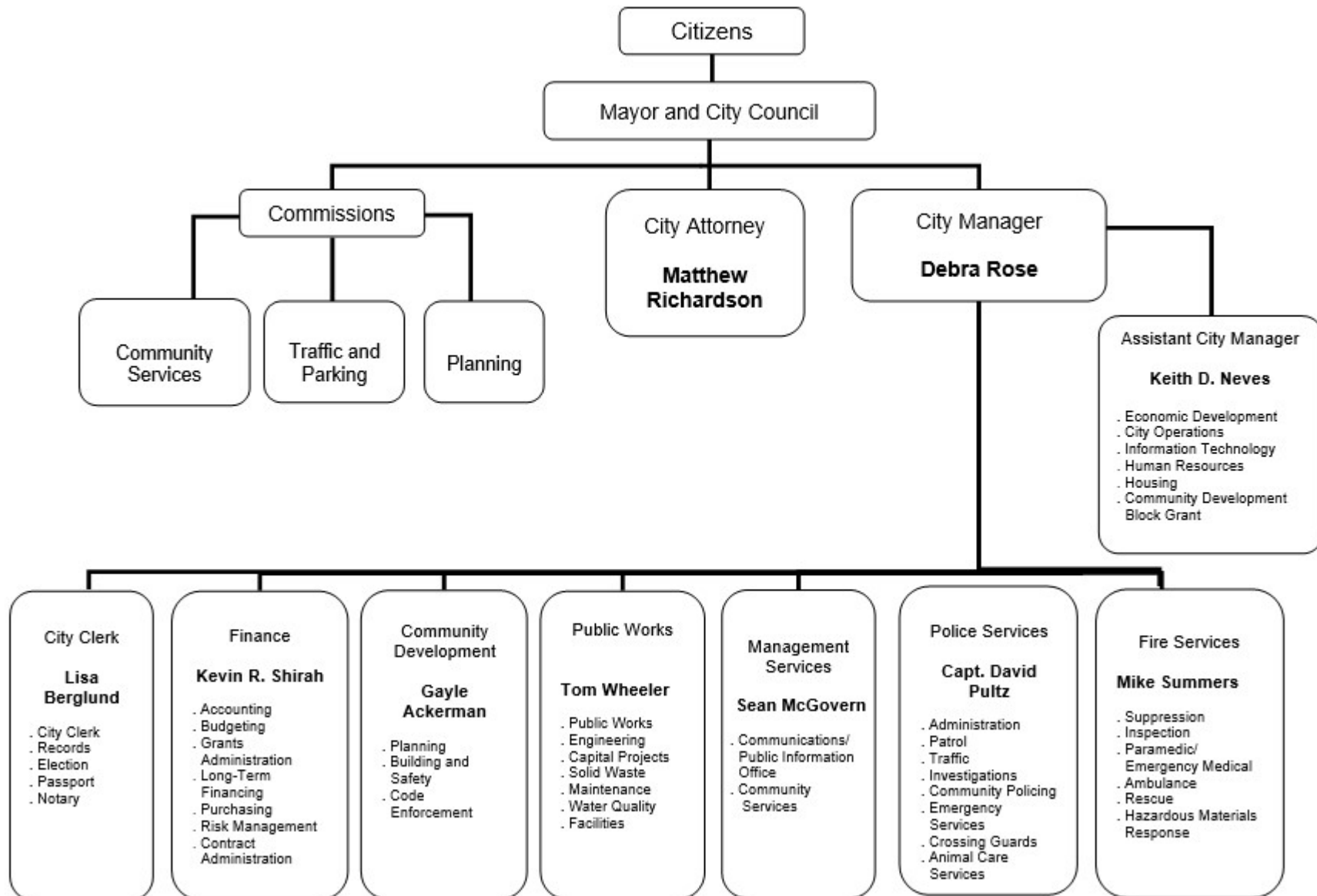
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

ORGANIZATIONAL CHART



**CITY OF LAKE FOREST
CITY OFFICIALS
YEAR ENDED JUNE 30, 2024**

City Council

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

City Manager

Debra Rose

Gayle Ackerman, Director of Community Development
Sean McGovern, Deputy City Manager
Mike Summers, 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 David Pultz, Chief of Police Services
Tom Wheeler, Director of Public Works/City Engineer

Prepared by the Finance Department

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FINANCIAL SECTION

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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, 2024, 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, 2024, 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.

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

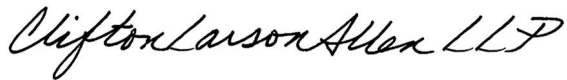
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover 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 21, 2024, 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.



CliftonLarsonAllen LLP

Irvine, California
November 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

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, 2024. 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 \$563.1 million (net position). Of this amount, \$123.5 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 \$10.4 million. This increase is attributable to revenues being more than expenses.
- Total revenues from all sources were \$84.6 million as compared to the cost for all City programs of \$74.3 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 \$218.6 million. Non-spendable were \$0.1 million, restricted were \$101.7 million, assigned were \$6.8 million, and unassigned were \$110.1 million.
- Total governmental fund balances increased by \$17.9 million. This increase is attributable to an excess of revenues over expenditures.
- Total governmental revenues from all sources were \$85.7 million as compared to expenditures of \$67.8 million.

Further discussion of revenues and expenditures is included in the Financial Analysis of the Governmental Funds section.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

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 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 provide 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 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, 2024**

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 schedule 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, 2024**

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 \$563.1 million at the close of the most recent fiscal year. By far, the largest portion of the City's net position (60.0%) reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment).

Table 1
Net Position
(in millions)

	Governmental Activities	
	2024	2023
Current and other assets	\$ 224.2	\$ 208.1
Capital assets	340.4	349.1
Restricted cash with pension trust	3.5	3.1
Net OPEB asset	0.2	-
Total assets	\$ 568.3	560.3
Deferred outflows of resources:		
Deferred amount from pension plans	8.4	5.5
Current and other liabilities	7.6	7.9
Non-current liabilities	4.7	4.0
Total liabilities	12.2	11.9
Deferred inflows of resources:		
Deferred amount from pension and OPEB plans	1.1	0.9
Deferred amount from public-private partnership	0.3	0.3
Total deferred inflows of resources	1.4	1.2
Net position:		
Net investment in capital assets	339.7	348.4
Restricted	99.9	92.9
Unrestricted	123.5	111.4
Total net position	\$ 563.1	552.7

An additional portion of the City's net position (17.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$123.5 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 \$10.4 million during the current fiscal year. Key elements of the changes are as follows:

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

Total revenues were \$84.6 million as compared to prior year revenues of \$94.2 million and material variances from prior year are described below.

- Charges for services decreased by \$0.7 million, primarily attributable to a decrease in development activity throughout the City.
- Operating grants and contributions increased by \$3.1 million, primarily attributable to an increase in state grant funding within the Community Vitality and Engagement, Public Safety, and Environmental Services programs.
- Capital grants and contributions decreased by \$16.2 million, primarily attributable to a decrease in developer contributions.
- Property taxes increased by \$1.6 million, primarily attributable to the new residential housing development in recent years.
- Sales taxes decreased by \$1.3 million, primarily attributable to a decrease in receipt of sales taxes due as a result of shifting economic activity.
- Investment income increased by \$3.8 million attributable to an increase in interest earned on investments in the high interest yield environment.

Beginning with the FY 2023-25 Operating Budget, the City of Lake Forest transitioned from a "department-based" budget to a "program" budget. The program budget organizes functions by program area and assists in clearly and effectively communicating the City's service and spending priorities. The Program Financial Summaries section contains the breakdown of the 2023-2025 Operating Budget by program area and program. Programs are organized into nine program areas which identify major services provided by the city: Legislative, Management and Support, Public Safety, Infrastructure Maintenance Services, Planning, Engineering, Building and Safety, Transportation, Environmental Services, Culture, Leisure, and Recreation, and Community Vitality and Engagement.

These program areas segment City operations on a more granular level than the former department-based structure. For comparability purposes, there are correlations between program areas and departments that can assist readers of the financial statements with year-over-year comparisons. General Government was primarily split into Legislative and Management and Support. Public Works was split into Infrastructure Maintenance Services, Transportation, and Environmental Services. A portion of Public Works is included in Planning, Engineering, Building, and Safety, but this program area is mostly comparable to Community Development. Similarly, a portion of Community Development is included in Community Vitality and Engagement. However, the majority of this program area along with Culture, Leisure, and Recreation is comparable to Management Services.

Total costs for all City programs were \$74.2 million as compared to the prior year costs of \$74.0 million. Material fluctuations from prior year are described below.

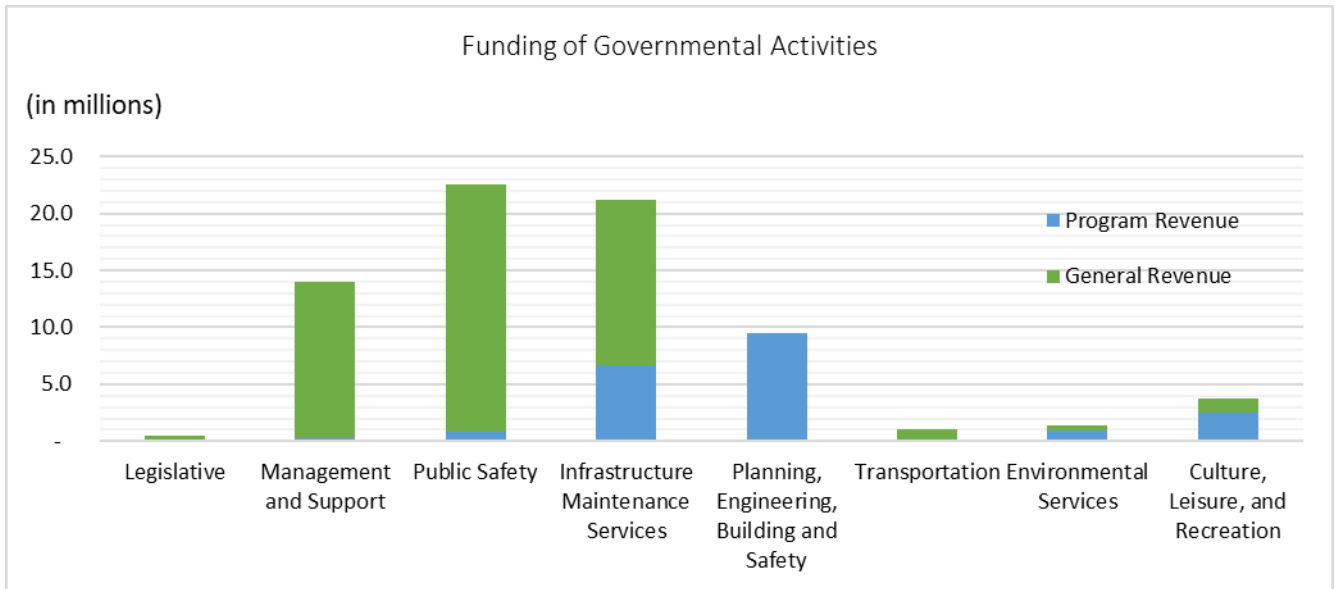
- Management and Support and Legislative decreased by \$7.1 million compared to General Government, primarily attributable to pension accounting adjustments in compliance with GASB 68. This year the decrease of the liability is \$2.2 million, compared to the increase of \$6.8 million in the prior year.
- Public Safety costs increased by \$2.1 million attributable to cost increases related to contract law enforcement services and additional costs incurred for a state funded public safety grant.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

Table 2
Changes in Net Position
(in millions)

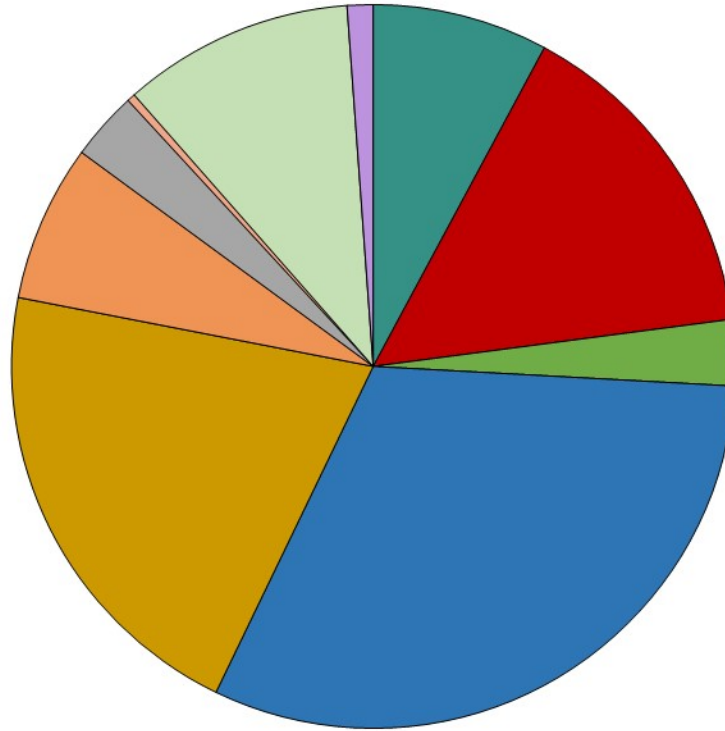
	Governmental Activities	
	2024	2023
Revenues:		
Program revenues:		
Charges for services	\$ 6.6	\$ 7.3
Operating grants and contributions	12.8	9.7
Capital grants and contributions	2.5	18.7
General revenues:		
Taxes:		
Property taxes	26.5	24.9
Transient occupancy taxes	5.9	5.8
Franchise taxes	2.6	2.9
Other taxes	0.3	0.1
Intergovernmental – sales taxes	17.7	19.0
Investment income	8.7	4.9
Other	1.0	0.9
Total revenues:	\$ 84.6	94.2
Expenses:		
Legislative	0.5	-
Management and support	14.0	-
Public safety	22.5	-
Infrastructure maintenance services	21.2	-
Planning, engineering, building and safety	4.9	-
Transportation	1.0	-
Environmental services	1.4	-
Culture, leisure, and recreation	3.8	-
Community Vitality and Engagement	4.9	-
General Government	-	21.6
Public Safety	-	20.4
Public Works	-	23.7
Community Development	-	3.8
Management Services	-	1.3
Community Services	-	3.2
Interest on long-term liabilities	-	-
Total expenses:	74.2	74.0
Change in net position	10.4	20.2
Net position at beginning of year	552.7	532.5
Net position at end of year	563.1	552.7
Total net position	\$ 563.1	552.7

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**



CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024

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
- Other

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 \$218.6 million, an increase of \$17.9 million in comparison with the prior year. Of this amount, \$0.1 million is non-spendable, \$101.7 million is for a variety of restricted purposes, \$6.8 million is assigned to be used for specific purposes through the City Council budgetary actions, and \$110 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 \$110 million, while total fund balance reached \$120.4 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 184% of total General Fund expenditures, while total fund balance represents 201% of that same amount.

Fund balance in the City's General Fund increased \$9.4 million during the current fiscal year due to revenues exceeding expenditures. Variances from the prior year are described below.

- Revenues decreased overall by \$3.3 million. Taxes increased by \$1.6 million, primarily attributable to property taxes resulting from new residential development. Both Licenses and Permits revenue as well as Sales Tax decreased due to less building permit activity and shifting business dynamics. Investment income increased by \$3.7 million due to a higher rate of return on investments.
- Expenditures increased by \$5.1 million. The City made a proactive payment of \$4.4 million toward its unfunded pension liability, saving substantial long-term costs by avoiding future interest expenditures. The remaining portion of the increase is related to smaller expenditure variances in other program areas.

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 \$2.8 million. Expenditures decreased by \$0.4 million due to the timing and funding of street repaving and slurry seal road rehabilitation project.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

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 \$4 million. Revenues decreased by \$9.9 million, attributable to a decrease 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 \$2.1 million. The most notable mid-year revenue adjustments included an increase in Investment Income (\$2.0 million) and an increase in Licenses and Permits (\$1.5 million) which was attributable to an anticipated increase in permit fees. This was offset by decrease in anticipated Sales Tax revenue.

Actual revenues were more than budgeted amounts by \$4.0 million. Tax revenues were more than budgeted by \$1.4 million, due to new property taxes resulting from residential development. Sales Tax revenues were reduced by \$0.7 million due to shifting business dynamics. Investment Income revenues were \$3.3 million more than budgeted due to a higher rate of return.

Expenditures

The difference between the original and final amended budgeted expenditures was \$13.7 million. The most notable adjustments were a \$5.2 million increase to the Management and Support program from carrying forward ongoing project funding. Community Vitality and Engagement had an increase of \$3.9 million which included the carry forward of the Strategic Economic Investment Program (SEIP) funding. The remaining portion of the budget increase was related to smaller expenditure variances in other program areas.

Actual expenditures were under budgeted amounts by \$16.3 million. All program areas had an expenditure savings ranging between \$0.1 million and \$5.2 million during the current year. This was primarily attributable to lower anticipated costs across the board and changes in the timing of budgeted capital improvement projects.

Capital and Lease Assets

The City's investment in capital and lease assets for its governmental activities as of June 30, 2024, amounts to \$340.5 million, net of accumulated depreciation and amortization.

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

- Construction commitments decreased by \$2.8 million.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

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

	Governmental Activities	
	2024	2023
Land	\$ 120.7	\$ 120.6
Machinery and Equipment	0.1	0.1
Buildings and improvements	82.2	86.1
Construction in progress	3.1	5.9
Improvements other than buildings	28.0	26.9
Infrastructure:		
Streets	53.5	53.3
Curbs, gutters and sidewalks	18.5	19.4
Storm drain system	9.1	9.5
Traffic signal system	2.9	3.1
Medians	6.6	7.2
Park improvements	15.4	16.3
SBITAs	0.4	0.7
TOTAL	340.5	349.1

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, 2024**

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$4.7 million, an increase of \$0.7 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)

	2024	2023
Net OPEB liability	\$ -	0.3
Net pension liability	3.3	2.2
Lease payable	-	0.02
Compensated absences	1.1	1.0
SBITA Liabilities	0.3	0.5
TOTAL	4.70	4.02

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, and 13, respectively, in the Financial Section of this report.

Economic Factors and Next Year's Budgets and Rates

The June 30, 2024, 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 5.0% and comparable to the national average rate of 4.1%.

The City's Fiscal Year 2023-24 Operating Budget considers the historical trends of property, hotel, and sales taxes. The Operating Budget is fully reviewed at mid-year to assess any changes to revenue as information is made 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

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**CITY OF LAKE FOREST
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 209,328,873
Receivables:	
Taxes	1,504,995
Accounts	394,138
Interest	1,297,115
Grants	459,815
Loans	2,389,798
Public-Private Partnership	195,071
Lease	130,845
Notes	4,558,300
Due from Other Governments	3,877,026
Prepaid Items	53,675
Restricted Cash with Pension Trust	3,465,757
Capital Assets:	
Not Being Depreciated	123,816,594
Being Depreciated, Net	216,196,967
Lease Assets, Net	5,525
SBITA Assets, Net	374,691
Net OPEB Asset	219,948
Total Assets	568,269,133
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount from Pension Plans	8,033,958
Deferred Amount from OPEB	362,591
Total Deferred Outflows of Resources	8,396,549
LIABILITIES	
Accounts Payable	5,349,347
Accrued Salaries and Benefits	149,776
Retentions Payable	107,624
Deposits Payable	1,752,508
Unearned Revenue	99,688
Noncurrent Liabilities:	
Compensated Absence - Due Within One Year	613,800
Compensated Absence - Due in More than One Year	543,584
Leases Payable - Due Within One Year	5,956
SBITA Liabilities - Due Within One Year	127,804
SBITA Liabilities - Due in More One Year	186,244
Net Pension Liability - Due in more than One Year	3,260,016
Total Liabilities	12,196,347
DEFERRED INFLOWS OF RESOURCES	
Deferred Amount Related to Public-Private Partnership	198,871
Deferred Amount Related to Lease	129,756
Deferred Amount from Pension Plans	303,348
Deferred Amount from OPEB	794,564
Total Deferred Inflows of Resources	1,426,539
NET POSITION	
Net Investment in Capital Assets	339,714,003
Restricted:	
Other Post Employment Benefits	219,948
Infrastructure Maintenance Services	10,870,539
Air Quality Management	732,535
Community Vitality and Engagement	2,432,768
Public Safety	413,305
Environmental Services	293,528
Planning, Engineering, Building and Safety	792,642
Housing Programs	8,909,785
Capital Projects: Planning, Engineering, Building and Safety	75,030,029
Pension Benefits	205,741
Unrestricted	123,427,973
Total Net Position	\$ 563,042,796

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

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:					
Legislative	\$ 453,386	\$ -	\$ -	\$ -	\$ (453,386)
Management and Support	14,068,704	211,204	-	-	(13,857,500)
Public Safety	22,547,514	322,327	447,134	-	(21,778,053)
Infrastructure Maintenance Services	21,152,181	5,022	6,649,838	-	(14,497,321)
Planning, Engineering, Building, and Safety	4,870,660	3,482,605	3,567,077	2,492,018	4,671,040
Transportation	979,595	22,400	117,195	-	(840,000)
Environmental Services	1,407,292	100,938	757,504	-	(548,850)
Culture, Leisure, and Recreation	3,820,979	2,496,348	-	-	(1,324,631)
Community Vitality and Engagement	4,949,276	2,181	1,213,611	-	(3,733,484)
Interest on Long-Term Liabilities	13,607	-	-	-	(13,607)
Total Governmental Activities	<u>\$ 74,263,194</u>	<u>\$ 6,643,025</u>	<u>\$ 12,752,359</u>	<u>\$ 2,492,018</u>	(52,375,792)
GENERAL REVENUES					
Taxes:					
Property Tax, Levied for General Purpose					26,479,311
Transient Occupancy Tax					5,941,072
Franchise Tax					2,599,795
Other Taxes					308,456
Unrestricted Intergovernmental - Sales Tax					17,678,956
Investment Income					8,742,652
Other					979,150
Total General Revenues					<u>62,729,392</u>
CHANGE IN NET POSITION					10,353,600
Net Position - Beginning of Year					<u>552,689,196</u>
NET POSITION - END OF YEAR					<u>\$ 563,042,796</u>

See accompanying Notes to Financial Statements.

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**CITY OF LAKE FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General	Special Revenue Fund Gas Tax
ASSETS		
Cash and Investments	\$ 117,153,550	\$ 5,808,787
Cash and Investments with Pension Trust	3,465,757	-
Receivables:		
Taxes	1,504,995	-
Accounts	322,963	-
Interest	1,297,115	-
Grants	-	-
Loans	-	-
Public-Private Partnership	195,071	-
Lease	130,845	-
Notes	-	-
Due from Other Governments	2,922,987	598,296
Due from Other Funds	47,703	-
Prepaid Items	53,675	-
	<u>\$ 127,094,661</u>	<u>\$ 6,407,083</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 4,260,397	\$ 343,570
Accrued Salaries and Benefits	149,776	-
Retentions Payable	21,112	-
Due to Other Funds	-	-
Deposits Payable	1,752,508	-
Unearned Revenues	98,599	-
Total Liabilities	6,282,392	343,570
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues	125,171	-
Amounts Related to Public-Private Partnership	198,871	-
Amounts Related to Lease	129,756	-
Total Deferred Inflows of Resources	453,798	-
FUND BALANCES		
Nonspendable	53,675	-
Restricted	3,465,757	6,063,513
Assigned	6,761,951	-
Unassigned	110,077,088	-
Total Fund Balances	120,358,471	6,063,513
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 127,094,661	\$ 6,407,083

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2024**

	Capital Projects Fund City Facilities Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 47,856,620	\$ 38,509,916	\$ 209,328,873
Cash and Investments with Pension Trust	-	-	3,465,757
Receivables:			
Taxes	-	-	1,504,995
Accounts	-	71,175	394,138
Interest	-	-	1,297,115
Grants	-	459,815	459,815
Loans	-	2,389,798	2,389,798
Public-Private Partnership	-	-	195,071
Lease	-	-	130,845
Notes	764,300	3,794,000	4,558,300
Due from Other Governments	-	355,743	3,877,026
Due from Other Funds	-	-	47,703
Prepaid Items	-	-	53,675
	<u>\$ 48,620,920</u>	<u>\$ 45,580,447</u>	<u>\$ 227,703,111</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,225	\$ 742,155	\$ 5,349,347
Accrued Salaries and Benefits	-	-	149,776
Retentions Payable	2,173	84,339	107,624
Due to Other Funds	-	47,703	47,703
Deposits Payable	-	-	1,752,508
Unearned Revenues	-	1,089	99,688
Total Liabilities	<u>5,398</u>	<u>875,286</u>	<u>7,506,646</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	764,300	384,008	1,273,479
Amounts Related to Public-Private Partnership	-	-	198,871
Amounts Related to Lease	-	-	129,756
Total Deferred Inflows of Resources	<u>764,300</u>	<u>384,008</u>	<u>1,602,106</u>
FUND BALANCES			
Nonspendable	-	-	53,675
Restricted	47,851,222	44,325,576	101,706,068
Assigned	-	-	6,761,951
Unassigned	-	(4,423)	110,072,665
Total Fund Balances	<u>47,851,222</u>	<u>44,321,153</u>	<u>218,594,359</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 48,620,920</u>	<u>\$ 45,580,447</u>	<u>\$ 227,703,111</u>

See accompanying Notes to Financial Statements.

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**CITY OF LAKE FOREST
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Fund Balances - Total Governmental Funds \$ 218,594,359

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	\$ 538,401,034	
Lease Assets	48,135	
SBITA Assets	676,699	
Accumulated Depreciation and Amortization	<u>(198,732,091)</u>	
Total		340,393,777

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.

1,273,479

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		(1,157,384)
Lease Payable		(5,956)
SBITA Liabilities		(314,048)

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	8,033,958	
Deferred Inflows of Resources Related to Pension	(303,348)	
Net Pension Liability	<u>(3,260,016)</u>	
Total		4,470,594

The net OPEB asset 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	362,591	
Deferred Inflows of Resources Related to OPEB	(794,564)	
Net OPEB Asset	<u>219,948</u>	
Total		<u>(212,025)</u>

Net Position of Governmental Activities \$ 563,042,796

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, 2024**

	General	Special Revenue Fund Gas Tax
REVENUES		
Taxes	\$ 35,328,634	\$ -
Licenses and Permits	1,580,298	-
Intergovernmental	925,617	4,633,916
Intergovernmental - Sales Tax	17,678,956	-
Charges for Services - Parks	1,936,566	-
Charges for Services - Other	2,036,965	-
Developer Contributions	94,640	-
Fines and Forfeitures	473,787	-
Facility and Park Rentals, Leases	684,501	-
Investment Income	8,291,371	208,545
Other	391,605	114,125
Total Revenues	69,422,940	4,956,586
EXPENDITURES		
Current:		
Legislative	348,782	-
Management and Support	12,140,965	-
Public Safety	22,020,278	-
Infrastructure Maintenance Services	9,702,481	1,468,275
Planning, Engineering, Building, and Safety	4,815,039	-
Transportation	265,603	657,321
Environmental Services	1,255,510	-
Culture, Leisure, and Recreation	3,820,979	-
Community Vitality and Engagement	4,554,114	-
Capital Improvement Plan	923,885	79,617
Debt Service:		
Principal Retirement - Leases	14,766	-
Principal Retirement - SBITAs	162,628	-
Interest - Leases	796	-
Interest - SBITAs	12,811	-
Total Expenditures	60,038,637	2,205,213
EXCESS OF REVENUES OVER EXPENDITURES	9,384,303	2,751,373
Fund Balances - Beginning of Year	110,974,168	3,312,140
FUND BALANCES - END OF YEAR	\$ 120,358,471	\$ 6,063,513

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, 2024**

	Capital Projects Fund City Facilities Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ -	\$ -	\$ 35,328,634
Licenses and Permits	-	-	1,580,298
Intergovernmental	-	5,562,423	11,121,956
Intergovernmental - Sales Tax	-	-	17,678,956
Charges for Services - Parks	-	-	1,936,566
Charges for Services - Other	-	7,961	2,044,926
Developer Contributions	4,042,469	44,145	4,181,254
Fines and Forfeitures	-	-	473,787
Facility and Park Rentals, Leases	-	-	684,501
Investment Income	-	1,603,860	10,103,776
Other	-	64,697	570,427
Total Revenues	4,042,469	7,283,086	85,705,081
EXPENDITURES			
Current:			
Legislative	-	-	348,782
Management and Support	-	-	12,140,965
Public Safety	-	527,236	22,547,514
Infrastructure Maintenance Services	-	-	11,170,756
Planning, Engineering, Building, and Safety	-	13,756	4,828,795
Transportation	-	56,671	979,595
Environmental Services	-	151,782	1,407,292
Culture, Leisure, and Recreation	-	-	3,820,979
Community Vitality and Engagement	-	387,236	4,941,350
Capital Improvement Plan	31,494	4,359,662	5,394,658
Debt Service:			
Principal Retirement - Leases	-	-	14,766
Principal Retirement - SBITAs	-	-	162,628
Interest - Leases	-	-	796
Interest - SBITAs	-	-	12,811
Total Expenditures	31,494	5,496,343	67,771,687
EXCESS OF REVENUES OVER EXPENDITURES	4,010,975	1,786,743	17,933,394
Fund Balances - Beginning of Year	43,840,247	42,534,410	200,660,965
FUND BALANCES - END OF YEAR	\$ 47,851,222	\$ 44,321,153	\$ 218,594,359

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, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ 17,933,394

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	\$ (12,069,261)	
Capital Outlay, Net of Disposals	3,556,256	
Leased assets depreciation	(14,873)	
SBITAs depreciation	<u>(177,985)</u>	(8,705,863)

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. (1,088,287)

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. (104,604)

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.

Lease principal payments	\$ 14,766	
SBITA principal payments	<u>162,628</u>	177,394

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. 2,175,849

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. (34,283)

Change in Net Position of Governmental Activities \$ 10,353,600

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and Investments	\$ 628,865	\$ 71,837
LIABILITIES		
Current Liabilities:		
Other Payable	-	36,696
Interest Payable	15,507	-
Total Current Liabilities	15,507	36,696
Long-Term Liabilities:		
Due Within One Year	365,000	-
Due in More than One Year	4,040,000	-
Total Long-Term Liabilities	4,405,000	-
Total Liabilities	4,420,507	36,696
NET POSITION		
Restricted for Other Governments	-	35,141
Unrestricted	(3,791,642)	-
Total Net Position	\$ (3,791,642)	\$ 35,141

See accompanying Notes to Financial Statements.

**CITY OF LAKE FOREST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024**

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Taxes	\$ 548,591	\$ -
Fees	-	747,851
Investment Income	20,217	-
Total Additions	568,808	747,851
DEDUCTIONS		
Interest and Fiscal Charges	197,052	-
Payments to Organizations	-	802,384
Total Deductions	197,052	802,384
CHANGES IN NET POSITION	371,756	(54,533)
Net Position - Beginning of Year	(4,163,398)	89,674
NET POSITION - END OF YEAR	\$ (3,791,642)	\$ 35,141

See accompanying Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, California 92630. The Financing Authority does not issue separate financial statements.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024**

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, 2024**

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, 2024**

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, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

E. 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.

F. 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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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.

H. 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 8 and 13, 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 8 and 13, respectively.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources (Continued)

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.

I. 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.

J. 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.

K. 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.

L. 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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. 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.

O. 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, 2024, consist of the following:

	Government Wide Statement of Net Position	Fiduciary Statement of Net Position	Total
Cash and Investments	\$ 209,328,873	\$ 700,702	\$ 210,029,575
Restricted:			
Cash and Investments Held by Pension Trust	3,465,757	-	3,465,757
Total Cash and Investments	<u>\$ 212,794,630</u>	<u>\$ 700,702</u>	<u>\$ 213,495,332</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

Cash in Hand	\$	1,750
Deposits with Financial Institutions		2,873,169
Investments		210,620,413
Total Cash and Investments		\$ 213,495,332

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, 2024**

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	\$ 47,554,534	\$ 6,953,823	\$ 6,883,516	\$ 33,717,195
U.S. Agency Securities	22,432,721	6,184,262	12,815,566	3,432,893
LAIF	14,571,935	14,571,935	-	-
Orange County Investment Pool (Local Government Investment Pools)	11	11	-	-
California Asset Management Program (Local Government Investment Pools)	47,263,698	47,263,698	-	-
Corporate Medium Term Notes	38,149,741	-	7,929,992	30,219,749
Asset-Backed Securities	17,086,470	1,473,151	-	15,613,319
Collateralized Mortgage Obligations	15,820,135	-	-	15,820,135
Supranational	4,061,876	-	2,781,391	1,280,485
Money Market Mutual Funds	213,535	213,535	-	-
Pension Trust - PARS Pooled Trust	3,465,757	3,465,757	-	-
Total	<u>\$ 210,620,413</u>	<u>\$ 80,126,172</u>	<u>\$ 30,410,465</u>	<u>\$ 100,083,776</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, 2024**

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>	<u>Total as of June 30, 2024</u>	<u>Minimum Legal Rating</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 47,554,534	N/A	\$ -
U.S. Agency Securities	22,432,721	N/A	-
LAIF	14,571,935	N/A	14,571,935
Orange County Investment Pool (Local Government Investment Pools)	11	N/A	11
California Asset Management Program (Local Government Investment Pools)	47,263,698	N/A	-
Corporate Medium Term Notes	38,149,741	A	-
Asset-Backed Securities	17,086,470	AA	-
Collateralized Mortgage Obligations	15,820,135	AA	-
Supranational	4,061,876	AA	-
Money Market Mutual Funds	213,535	AAA	-
Pension Trust - PARS Pooled Trust	3,465,757	N/A	3,465,757
Total	<u>\$ 210,620,413</u>		<u>\$ 18,037,703</u>

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>
U.S. Treasury Obligations	\$ -	\$ 47,554,534	\$ -
U.S. Agency Securities	-	22,432,721	-
LAIF	-	-	-
Orange County Investment Pool (Local Government Investment Pools)	-	-	-
California Asset Management Program (Local Government Investment Pools)	47,263,698	-	-
Corporate Medium Term Notes	-	12,250,891	25,898,850
Asset-Backed Securities	17,086,470	-	-
Collateralized Mortgage Obligations	3,646,075	12,174,060	-
Supranational	4,061,876	-	-
Money Market Mutual Funds	213,535	-	-
Pension Trust - PARS Pooled Trust	-	-	-
Total	<u>\$ 72,271,654</u>	<u>\$ 94,412,206</u>	<u>\$ 25,898,850</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, 2024, 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, 2024**

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, 2024, 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, 2024**

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, 2024, 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, 2024**

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, 2024, the City had the following:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 47,554,534	\$ -	\$ 47,554,534
U.S. Agency Securities	-	22,432,721	-	22,432,721
Corporate Medium Term Notes	-	38,149,741	-	38,149,741
Asset-Backed Securities	-	17,086,470	-	17,086,470
Collateralized Mortgage Obligations	-	15,820,135	-	15,820,135
Supranational	-	4,061,876	-	4,061,876
Total Leveled Investments	\$ -	\$ 145,105,477	\$ -	145,105,477
LAIF*				14,571,935
Orange County Investment Pool (Local Government Investment Pools)*				11
California Asset Management Program (Local Government Investment Pools)*				47,263,698
Money Market Mutual Funds*				213,535
Pension Trust*				3,465,757
Total Investment Portfolio				\$ 210,620,413

*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, 2024**

NOTE 3 PUBLIC-PRIVATE PARTNERSHIPS (CONTINUED)

Receivables and deferred inflows of resources as of June 30, 2024, related to these agreements are \$195,071 and \$198,871, respectively. The amount of inflows of resources related to payments and interest recognized for during the year ended June 30, 2024 totaled \$115,336 and \$2,457, 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
2025	\$ 102,253	\$ 1,397	\$ 103,650
2026	82,611	539	83,150
2027	10,207	11	10,218
	<u>\$ 195,071</u>	<u>\$ 1,947</u>	<u>\$ 197,018</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, 2024, 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, 2024, 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, 2024, is \$764,300.

Housing loans receivable of \$199,145 and \$2,190,653 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, 2024**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, is as follows:

	Balance at July 1, 2023	Additions	Deletions	Balance at June 30, 2024
Capital Assets, Not Being Depreciated:				
Land	\$ 120,640,173	\$ 26,733	\$ -	\$ 120,666,906
Construction in Progress	5,904,095	1,592,774	(4,347,181)	3,149,688
Total Capital Assets, Not Being Depreciated	126,544,268	1,619,507	(4,347,181)	123,816,594
Capital Assets, Being Depreciated:				
Buildings and Improvements	100,421,374	-	-	100,421,374
Improvements Other than Buildings	37,827,606	2,477,965	-	40,305,571
Machinery and Equipment	4,550,741	-	(177,317)	4,373,424
Infrastructure	265,678,106	3,805,965	-	269,484,071
Total Capital Assets, Being Depreciated	408,477,827	6,283,930	(177,317)	414,584,440
Less Accumulated Depreciation for:				
Buildings and Improvements	(14,304,956)	(3,937,442)	-	(18,242,398)
Improvements Other than Buildings	(10,906,911)	(1,369,945)	-	(12,276,856)
Machinery and Equipment	(4,474,496)	(21,558)	177,317	(4,318,737)
Infrastructure	(156,809,166)	(6,740,316)	-	(163,549,482)
Total Accumulated Depreciation	(186,495,529)	(12,069,261)	177,317	(198,387,473)
Total Capital Assets, Being Depreciated, Net	221,982,298	(5,785,331)	-	216,196,967
Lease Assets:				
Lease Assets - Equipment	48,135	-	-	48,135
Accumulated Amortization	(27,737)	(14,873)	-	(42,610)
Total Lease Assets, Being Amortized	20,398	(14,873)	-	5,525
SBITAs:				
SBITA	676,699	-	-	676,699
Accumulated Amortization	(124,023)	(177,985)	-	(302,008)
Total SBITA Assets, Being Amortized	552,676	(177,985)	-	374,691
Capital and Lease Assets, Net	<u>\$ 349,099,640</u>	<u>\$ (4,358,682)</u>	<u>\$ (4,347,181)</u>	<u>\$ 340,393,777</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Management and Support	\$ 4,069,305
Infrastructure Maintenance Services	8,143,023
Planning, Engineering, Building & Safety	41,865
Community, Vitality and Engagement	7,926
Total Depreciation Expense - Governmental Activities	\$ 12,262,119

Construction Commitments

Significant construction contracts as of June 30, 2024, consisted of the following:

	Commitment
Street Resurfacing and Slurry Seal Projects	\$ 4,758,334
Street Name Signs	816,998
Ridge Route Median Improvement Project	64,134
Lake Forest Civic Center Drainage Repair Project	108,800
Park Gazebo Replacement	209,900
Total	\$ 5,958,166

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, Cal-Fire LHMP Special Revenue Fund, and CalTrans CRRSAA Special Revenue Fund borrowed \$47,250, \$163, and \$290, respectively, from the General Fund to fund operations.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 LONG-TERM LIABILITIES

The change in the City's long-term liabilities during the year ended June 30, 2024, consisted of the following:

	Balance at July 1, 2023	Additions	Deletions	Balance at June 30, 2024	Due Within One Year	Due in More than One Year
Compensated Absences	\$ 1,052,780	\$ 718,408	\$ (613,804)	\$ 1,157,384	\$ 613,800	\$ 543,584
SBITA Liabilities	476,676	-	(162,628)	314,048	127,804	186,244
Lease Liabilities	20,722	-	(14,766)	5,956	5,956	-
Total	<u>\$ 1,550,178</u>	<u>\$ 718,408</u>	<u>\$ (791,198)</u>	<u>\$ 1,477,388</u>	<u>\$ 747,560</u>	<u>\$ 729,828</u>

Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1.J. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2024, the outstanding balance was \$1,157,384.

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, 2024, SBITA assets and the related accumulated amortization totaled \$676,699 and \$(302,008), respectively. See Note 5 for Capital Assets.

The future subscription payments under SBITA agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 127,804	\$ 8,563	\$ 136,367
2026	91,826	5,258	97,084
2027	94,418	2,666	97,084
	<u>\$ 314,048</u>	<u>\$ 16,487</u>	<u>\$ 330,535</u>

There are no variable payments, no payments made related to termination penalties, and no impairment losses on SBITA assets.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Lease Liabilities

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.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
2025	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ 5,956	\$ 112	\$ 6,068

As of June 30, 2024, Lease assets and the related accumulated amortization totaled \$48,135 and \$(42,610), respectively. See Note 5 for Capital Assets.

NOTE 8 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 \$151 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, 2023, 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	62
Total Plan Participants	74

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

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, 2024, the City did not make any contributions.

B. Total OPEB Liability

The City's net OPEB asset is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB asset is measured as of June 30, 2023 using an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
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	2022 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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Total OPEB Liability (Continued)

Actuarial Assumptions (Continued)

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Asset)

The changes in the net OPEB liability (asset) are as follows:

	Increase (Decrease)		Net OPEB Liability (Asset)
	Total OPEB Liability	Plan Fiduciary Net Position	
Balance at June 30, 2022 (Measurement Date)	\$ 788,698	\$ 518,099	\$ 270,599
Changes in the Year:			
Service Cost	55,053	-	55,053
Interest on the Total OPEB Liability	46,217	-	46,217
Differences Between Actual and Expected Experience	(63,613)	-	(63,613)
Changes in Assumptions	6,532	-	6,532
Contributions - Employer	-	500,000	(500,000)
Net Investment Income	-	37,760	(37,760)
Benefit Payments	(20,121)	(20,121)	-
Administrative Expenses	-	(3,024)	3,024
Net Changes	<u>24,068</u>	<u>514,615</u>	<u>(490,547)</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$ 812,766</u>	<u>\$ 1,032,714</u>	<u>\$ (219,948)</u>

Change of Assumptions

In fiscal year 2023-2024, the mortality table was updated from 2017 to 2021 Calpers for Miscellaneous employees.

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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Asset) (Continued)

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

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset 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 Asset	\$ (98,370)	\$ (219,948)	\$ (319,351)

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

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset 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 Asset	\$ (338,000)	\$ (219,948)	\$ (70,763)

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$34,283. At June 30, 2024, 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
Differences Between Actual and Expected Experience	\$ -	\$ (384,170)
Changes in Assumptions	322,497	(410,394)
Net Differences Between Projected and Actual Earnings	40,094	-
Total	\$ 362,591	\$ (794,564)

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

**D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)**

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
2025	\$ (25,803)
2026	(28,042)
2027	(11,033)
2028	(33,460)
2029	(34,608)
Thereafter	(299,027)
Total	\$ (431,973)

E. Payable to the OPEB Plan

At June 30, 2024, the City had no outstanding amount of contributions to the OPEB Plan required for the year ended June 30, 2024.

NOTE 9 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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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/>

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 2023-24, 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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 RISK MANAGEMENT (CONTINUED)

Self-Insurance Programs of the Authority (Continued)

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 \$105,234,998. 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 \$12,899,605. 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.

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 2023-24.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES

Net Position Classifications

The City's net position at June 30, 2024, 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	\$ 123,816,594
Depreciable Capital Assets, Net	216,196,967
Lease Assets, Net	5,525
SBITAs, Net	374,691
Less: Retention Payable	(107,624)
Less: Capital Related Accounts Payable	(252,146)
Less: Leases Payable	(5,956)
Less: SBITA Liabilities	<u>(314,048)</u>
Net Investment in Capital Assets	339,714,003
Restricted Net Position:	
Other Post Employment Benefits	219,948
Infrastructure Maintenance Services	10,870,539
Air Quality Management	732,535
Community Vitality and Engagement	2,432,768
Public Safety	413,305
Environmental Services	293,528
Planning, Engineering, Building & Safety	792,642
Housing Programs	8,909,785
Capital Projects: Planning, Engineering, Building & Safety	75,030,029
Pension Benefits	<u>205,741</u>
Total Restricted Net Position	99,900,820
Unrestricted Net Position	<u>123,427,973</u>
Total Net Position	<u>\$ 563,042,796</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, 2024**

**NOTE 10 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, 2024**

**NOTE 10 CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES
(CONTINUED)**

Governmental Fund Balance Classifications

The City's governmental fund balances at June 30, 2024, 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	\$ 53,675	\$ -	\$ -	\$ -	\$ 53,675
Restricted for:					
Infrastructure Maintenance					
Services	-	6,063,513	-	4,675,441	10,738,954
Air Quality Management	-	-	-	703,223	703,223
Grant Programs:					
Community Vitality and Engagement					
	-	-	-	2,408,839	2,408,839
Public Safety	-	-	-	413,305	413,305
Environmental Services	-	-	-	293,528	293,528
Planning, Engineering					
Building & Safety	-	-	-	603,121	603,121
Housing Programs	-	-	-	8,815,785	8,815,785
Capital Projects:					
Planning, Engineering					
Building & Safety	-	-	47,851,222	26,412,334	74,263,556
Pension Benefits	3,465,757	-	-	-	3,465,757
Assigned for:					
Infrastructure Maintenance					
Services	4,741,642	-	-	-	4,741,642
Neighborhood Park					
Improvement	2,020,309	-	-	-	2,020,309
Unassigned	110,077,088	-	-	(4,423)	110,072,665
Total	<u>\$ 120,358,471</u>	<u>\$ 6,063,513</u>	<u>\$ 47,851,222</u>	<u>\$ 44,321,153</u>	<u>\$ 218,594,359</u>

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 10 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, 2024**

NOTE 11 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, 2024. 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 12 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, 2024**

NOTE 13 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 multiemployer 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, 2024, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
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	12.470%	7.680%
Payment of Unfunded Liability	\$ -	\$ -

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 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, 2024, included \$-0- for the UAL, \$836,025 for the normal cost rate, and \$4,400,589 additional payments resulting in a total amount paid of \$5,236,614.

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, 2024, the City reported a net pension liability of \$3,260,016 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, 2023, 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, 2022, rolled forward to June 30, 2023, 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, 2022 and 2023, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2022	0.04719 %
Proportion - June 30, 2023	0.06519
Change	0.01800 %

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 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, 2024, the City recognized pension expense of \$3,060,766. At June 30, 2024, 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	\$ 5,236,614	\$ -
Differences Between Actual and Expected Experience	166,540	(25,834)
Change in Assumptions	196,822	-
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	1,906,156	(277,514)
Net Differences Between Projected and Actual Earnings on Plan Investments	527,826	-
Total	\$ 8,033,958	\$ (303,348)

An amount of \$5,236,614 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 1,337,811
2026	821,785
2027	319,256
2028	15,144
Total	\$ 2,493,996

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 PENSION PLAN (CONTINUED)

A. Defined Benefit Plan (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2023, measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
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, 2024**

NOTE 13 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.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 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	\$ 9,189,967
Current Discount Rate	6.90%
Net Pension Liability	\$ 3,260,016
1% Increase	7.90%
Net Pension Liability (Asset)	\$ (1,620,842)

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, 2024, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

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, 2024**

NOTE 13 PENSION PLAN (CONTINUED)

B. Defined Contribution Plan (Continued)

For the year ended June 30, 2024, the City’s payroll covered by the plan was \$843,496. Contributions to the plan totaled \$63,266, with employee contributions in the amount of \$52,300 (6.2% of current covered payroll) and City contributions in the amount of \$10,966 (1.3% of current covered payroll).

NOTE 14 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 15 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, 2024, was as follows:

	Balance at July 1, 2023	Additions	Deletions	Balance at June 30, 2024	Due Within One Year	Due in More than One Year
Other Debt:						
2004 Certificates of Participation	\$ 4,755,000	\$ -	\$ (350,000)	\$ 4,405,000	\$ 365,000	\$ 4,040,000

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, 2024, was \$4,405,000.

**CITY OF LAKE FOREST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 15 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>
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
2029	430,000	112,200	542,200
2030 to 2034	2,425,000	266,156	2,691,156
Total	<u>\$ 4,405,000</u>	<u>\$ 996,875</u>	<u>\$ 5,401,875</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ended	Miscellaneous				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Measurement Period	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Plan's Proportion of the Net Pension Liability (Asset)	0.06519 %	0.04719 %	(0.24286)%	1.00500 %	(0.00741)%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,260,016	\$ 2,208,314	\$ (4,611,435)	\$ 423,887	\$ (296,877)
Plan's Covered Payroll	7,243,111	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	45.01 %	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	92.56 %	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%.

From Fiscal Year June 30, 2023, to June 30, 2024:

There were no significant changes in assumptions.

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%.

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

There were no significant changes in assumptions.

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, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Contractually Required Contribution (Actuarially Determined)	\$ 836,025	\$ 791,987	\$ 712,161	\$ 628,116	\$ 637,268
Contributions in Relation to the Actuarially Determined Contributions	<u>(5,236,614)</u>	<u>(791,987)</u>	<u>(712,161)</u>	<u>(628,116)</u>	<u>(637,268)</u>
Contribution Deficiency (Excess)	<u>\$ (4,400,589)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,001,585	\$ 7,243,111	\$ 6,658,335	\$ 5,847,203	\$ 6,782,362
Contributions as a Percentage of Covered Payroll	65.44%	10.93%	10.70%	10.74%	9.40%

NOTES TO SCHEDULE

Valuation Date	June 30, 2021	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	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.300%	2.500%	2.500%	2.625%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	6.90% (3)	7.00% (3)	7.00% (3)	7.25% (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.

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	Entry Age	Entry Age	Entry Age	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.

See accompanying Notes to Required Supplementary Information.

**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, 2024</u>	<u>June 30, 2023</u>
Measurement Date	June 30, 2023	June 30, 2022
Total OPEB Liability:		
Service Cost	\$ 55,053	\$ 111,777
Interest on Total OPEB Liability	46,217	31,080
Differences Between Actual and Expected Experience	(63,613)	(979)
Changes In Assumptions	6,532	(487,104)
Benefit Payments, Including Refunds	<u>(20,121)</u>	<u>(21,359)</u>
Net Change in Total OPEB Liability	24,068	(366,585)
Total OPEB Liability - Beginning of Year	<u>788,698</u>	<u>1,155,283</u>
Total OPEB Liability - End of Year (a)	812,766	788,698
Plan Fiduciary Net Position:		
Contributions - Employer	500,000	-
Net Investment Income	37,760	(77,197)
Benefit Payments	(20,121)	(21,359)
Administrative Expenses	<u>(3,024)</u>	<u>(3,575)</u>
Net Change in Plan Fiduciary Net Position	514,615	(102,131)
Plan Fiduciary Net Position - Beginning of Year	<u>518,099</u>	<u>620,230</u>
Plan Fiduciary Net Position - End of Year (b)	<u>1,032,714</u>	<u>518,099</u>
Net OPEB Liability (Asset) - Ending (a)-(b)	<u>\$ (219,948)</u>	<u>\$ 270,599</u>
Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability	127.06%	65.69%
Covered - Employee Payroll	\$ 7,243,111	\$ 6,658,335
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	-3.04%	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%.

From Fiscal Year June 30, 2023, to June 30, 2024: The mortality table was updated from 2017 to 2021 CalPERS for Miscellaneous Employees.

* Fiscal Year 2018 was the first year of implementation and therefore only seven 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%.

From Fiscal Year June 30, 2023, to June 30, 2024: The mortality table was updated from 2017 to 2021 CalPERS for Miscellaneous Employees.

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

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 33,812,000	\$ 33,962,000	\$ 35,328,634	\$ 1,366,634
Licenses and Permits	804,500	2,014,500	1,580,298	(434,202)
Intergovernmental	260,000	533,500	925,617	392,117
Intergovernmental - Sales Tax	19,500,000	18,350,000	17,678,956	(671,044)
Charges for Services - Parks	1,611,300	1,676,300	1,936,566	260,266
Charges for Services - Other	3,036,000	2,649,541	2,036,965	(612,576)
Developer Contributions	120,000	120,000	94,640	(25,360)
Fines and Forfeitures	450,000	450,000	473,787	23,787
Facility and Park Rentals, Leases	582,000	535,000	684,501	149,501
Investment Income	3,000,000	5,000,000	8,291,371	3,291,371
Other	100,000	95,000	391,605	296,605
Total Revenues	<u>63,275,800</u>	<u>65,385,841</u>	<u>69,422,940</u>	<u>4,037,099</u>
EXPENDITURES				
Current:				
Legislative	441,335	441,335	348,782	92,553
Management and Support	9,613,129	14,783,928	12,140,965	2,642,963
Public Safety	23,629,885	23,829,885	22,020,278	1,809,607
Infrastructure Maintenance Services	11,569,865	11,719,364	9,702,481	2,016,883
Planning, Engineering, Building, and Safety	5,931,824	6,941,464	4,815,039	2,126,425
Transportation	1,468,550	1,468,550	265,603	1,202,947
Environmental Services	1,047,880	1,328,622	1,255,510	73,112
Culture, Leisure, and Recreation	4,464,500	4,173,732	3,820,979	352,753
Community Vitality and Engagement	1,476,135	5,341,496	4,554,114	787,382
Capital Improvement Plan	2,832,200	6,136,534	923,885	5,212,649
Debt Service:				
Principal Retirement - Leases	14,766	14,766	14,766	-
Principal Retirement - SBITAs	162,628	162,628	162,628	-
Interest - Leases	796	796	796	-
Interest - SBITAs	12,811	12,811	12,811	-
Total Expenditures	<u>62,666,304</u>	<u>76,355,911</u>	<u>60,038,637</u>	<u>16,317,274</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	609,496	(10,970,070)	9,384,303	20,354,373
Fund Balance - Beginning of Year	<u>110,974,168</u>	<u>110,974,168</u>	<u>110,974,168</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 111,583,664</u>	<u>\$ 100,004,098</u>	<u>\$ 120,358,471</u>	<u>\$ 20,354,373</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 4,455,552	\$ 4,454,552	\$ 4,633,916	\$ 179,364
Investment Income	52,000	52,000	208,545	156,545
Other	-	-	114,125	114,125
Total Revenues	<u>4,507,552</u>	<u>4,506,552</u>	<u>4,956,586</u>	<u>450,034</u>
EXPENDITURES				
Current:				
Infrastructure Maintenance Services	1,513,729	1,513,729	1,468,275	45,454
Transportation	945,500	945,500	657,321	288,179
Capital Improvement Plan	1,011,053	2,556,957	79,617	2,477,340
Total Expenditures	<u>3,470,282</u>	<u>5,016,186</u>	<u>2,205,213</u>	<u>2,810,973</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	1,037,270	(509,634)	2,751,373	3,261,007
Fund Balance - Beginning of Year	<u>3,312,140</u>	<u>3,312,140</u>	<u>3,312,140</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,349,410</u>	<u>\$ 2,802,506</u>	<u>\$ 6,063,513</u>	<u>\$ 3,261,007</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF LAKE FOREST
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

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 program area. The Director of Finance is authorized to move appropriations between programs within program area budgets in concurrence with Department Directors. The City Manager is authorized to transfer appropriations from one program area to another or between funds within the operating budget with notification to the City Council Audit Committee. The City Manager is also authorized to transfer appropriations from a capital improvement project to another existing project within the adopted capital improvement plan with notification to the City Council Audit Committee. The legal level of budgetary control is at the program area level.

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

Continuing Appropriations

The unexpended and unencumbered non-personnel 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.

SUPPLEMENTARY INFORMATION

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**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CITY FACILITIES CAPITAL PROJECTS AND IMPROVEMENT FUND – MAJOR FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Developer Contributions	\$ 3,900,000	\$ 4,042,469	\$ 142,469
EXPENDITURES			
Capital Improvement Plan	377,010	31,494	345,516
EXCESS OF REVENUES OVER EXPENDITURES	3,522,990	4,010,975	487,985
Fund Balance - Beginning of Year	43,840,247	43,840,247	-
FUND BALANCE - END OF YEAR	\$ 47,363,237	\$ 47,851,222	\$ 487,985

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NONMAJOR FUNDS

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**CITY OF LAKE FOREST
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2024**

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, 2024**

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.

CalTrans CRRSAA Fund

This fund is used to account for revenue and expenditures related to grant funding received from the California Department of Transportation under the Coronavirus Response and Relief Supplemental Appropriations Action of 2021 (CRRSAA) for the purpose of rehabilitating and maintaining public streets.

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, 2024**

	Special Revenue Funds					
	Air Quality Improvement	Supplemental Law Enforcement Grant	Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant
ASSETS						
Cash and Investments	\$ 707,442	\$ 413,305	\$ 1,328,539	\$ 24,630	\$ 32,647	\$ -
Receivables:						
Accounts	-	-	-	-	-	-
Grants	-	-	-	-	-	268,316
Loans	-	-	199,145	-	-	2,190,653
Notes	-	-	94,000	-	-	-
Due from Other Governments	29,312	-	-	-	-	-
Total Assets	\$ 736,754	\$ 413,305	\$ 1,621,684	\$ 24,630	\$ 32,647	\$ 2,458,969
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 4,219	\$ -	\$ 15,461	\$ 5,393	\$ -	\$ 205,351
Retentions Payable	-	-	-	-	-	23,929
Unearned Revenue	-	-	1,089	-	-	-
Due to Other Funds	-	-	-	-	-	47,250
Total Liabilities	4,219	-	16,550	5,393	-	276,530
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	29,312	-	94,000	-	-	-
Total Deferred Inflows of Resources	29,312	-	94,000	-	-	-
FUND BALANCES						
Restricted	703,223	413,305	1,511,134	19,237	32,647	2,182,439
Unassigned	-	-	-	-	-	-
Total Fund Balances	703,223	413,305	1,511,134	19,237	32,647	2,182,439
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 736,754	\$ 413,305	\$ 1,621,684	\$ 24,630	\$ 32,647	\$ 2,458,969

**CITY OF LAKE FOREST
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2024**

	Special Revenue Funds					
	Measure M	CASP Program	SB1383 Organic Waste Recycling	Cal-Fire LHMP	PLHA State Grant	CalTrans CRRSAA
ASSETS						
Cash and Investments	\$ 4,998,819	\$ 39,851	\$ 259,484	\$ -	\$ 588,673	\$ -
Receivables:						
Accounts	71,175	-	-	-	-	-
Grants	-	-	-	1,978	189,521	-
Loans	-	-	-	-	-	-
Notes	-	-	-	-	-	-
Due from Other Governments	326,431	-	-	-	-	-
	<u>\$ 5,396,425</u>	<u>\$ 39,851</u>	<u>\$ 259,484</u>	<u>\$ 1,978</u>	<u>\$ 778,194</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 362,999	\$ -	\$ 17,840	\$ 1,815	\$ 25,403	\$ 4,133
Retentions Payable	60,410	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Due to Other Funds	-	-	-	163	-	290
Total Liabilities	<u>423,409</u>	<u>-</u>	<u>17,840</u>	<u>1,978</u>	<u>25,403</u>	<u>4,423</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	71,175	-	-	-	189,521	-
Total Deferred Inflows of Resources	<u>71,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,521</u>	<u>-</u>
FUND BALANCES						
Restricted	4,901,841	39,851	241,644	-	563,270	-
Unassigned	-	-	-	-	-	(4,423)
Total Fund Balances	<u>4,901,841</u>	<u>39,851</u>	<u>241,644</u>	<u>-</u>	<u>563,270</u>	<u>(4,423)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,396,425</u>	<u>\$ 39,851</u>	<u>\$ 259,484</u>	<u>\$ 1,978</u>	<u>\$ 778,194</u>	<u>\$ -</u>

**CITY OF LAKE FOREST
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2024**

	Capital Projects Funds					Total Other Governmental Funds
	Lake Forest Transportation Mitigation	Park Development	Affordable Housing	FCPP	Meadows Traffic Improvement	
ASSETS						
Cash and Investments	\$ 8,185,810	\$ 1,711,976	\$ 3,604,651	\$ 14,325,168	\$ 2,288,921	\$ 38,509,916
Receivables:						
Accounts	-	-	-	-	-	71,175
Grants	-	-	-	-	-	459,815
Loans	-	-	-	-	-	2,389,798
Notes	-	-	3,700,000	-	-	3,794,000
Due from Other Governments	-	-	-	-	-	355,743
Total Assets	\$ 8,185,810	\$ 1,711,976	\$ 7,304,651	\$ 14,325,168	\$ 2,288,921	\$ 45,580,447
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 29,357	\$ -	\$ -	\$ 62,287	\$ 7,897	\$ 742,155
Retentions Payable	-	-	-	-	-	84,339
Unearned Revenue	-	-	-	-	-	1,089
Due to Other Funds	-	-	-	-	-	47,703
Total Liabilities	29,357	-	-	62,287	7,897	875,286
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	384,008
Total Deferred Inflows of Resources	-	-	-	-	-	384,008
FUND BALANCES						
Restricted	8,156,453	1,711,976	7,304,651	14,262,881	2,281,024	44,325,576
Unassigned	-	-	-	-	-	(4,423)
Total Fund Balances	8,156,453	1,711,976	7,304,651	14,262,881	2,281,024	44,321,153
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,185,810	\$ 1,711,976	\$ 7,304,651	\$ 14,325,168	\$ 2,288,921	\$ 45,580,447

**CITY OF LAKE FOREST
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024**

	Special Revenue Funds					
	Air Quality Improvement	Supplemental Law Enforcement Grant	Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant
REVENUES						
Intergovernmental	\$ 116,824	\$ 250,939	\$ -	\$ -	\$ 22,119	\$ 1,045,996
Charges for Services - Other	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-
Investment Income	29,705	-	61,085	-	-	-
Other	-	-	11,536	52,861	-	300
Total Revenues	<u>146,529</u>	<u>250,939</u>	<u>72,621</u>	<u>52,861</u>	<u>22,119</u>	<u>1,046,296</u>
EXPENDITURES						
Current:						
Public Safety	-	147,692	-	-	-	-
Planning, Engineering, Building, and Safety	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Environmental Services	-	-	-	43,767	20,188	-
Community Vitality and Engagement	-	-	78,340	-	-	224,856
Capital Improvement Plan	29,924	-	-	-	-	822,008
Total Expenditures	<u>29,924</u>	<u>147,692</u>	<u>78,340</u>	<u>43,767</u>	<u>20,188</u>	<u>1,046,864</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	116,605	103,247	(5,719)	9,094	1,931	(568)
Fund Balances - Beginning 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>
FUND BALANCES - END OF YEAR	<u><u>\$ 703,223</u></u>	<u><u>\$ 413,305</u></u>	<u><u>\$ 1,511,134</u></u>	<u><u>\$ 19,237</u></u>	<u><u>\$ 32,647</u></u>	<u><u>\$ 2,182,439</u></u>

**CITY OF LAKE FOREST
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

	Special Revenue Funds					
	Measure M	CASP Program	SB1383		PLHA State Grant	CalTrans CRRSAA
			Organic Waste Recycling	Cal-Fire LHMP		
REVENUES						
Intergovernmental	\$ 2,048,859	\$ -	\$ 233,689	\$ 77,948	\$ 942,814	\$ -
Charges for Services - Other	2,181	5,780	-	-	-	-
Developer Contributions	-	-	-	-	-	-
Investment Income	227,739	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>2,278,779</u>	<u>5,780</u>	<u>233,689</u>	<u>77,948</u>	<u>942,814</u>	<u>-</u>
EXPENDITURES						
Current:						
Public Safety	-	-	-	-	379,544	-
Planning, Engineering, Building, and Safety	-	1,000	-	12,756	-	-
Transportation	-	-	-	-	-	-
Environmental Services	-	-	87,827	-	-	-
Community Vitality and Engagement	84,040	-	-	-	-	-
Capital Improvement Plan	1,480,081	-	-	-	-	4,423
Total Expenditures	<u>1,564,121</u>	<u>1,000</u>	<u>87,827</u>	<u>12,756</u>	<u>379,544</u>	<u>4,423</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	714,658	4,780	145,862	65,192	563,270	(4,423)
Fund Balances - Beginning of Year	<u>4,187,183</u>	<u>35,071</u>	<u>95,782</u>	<u>(65,192)</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 4,901,841</u></u>	<u><u>\$ 39,851</u></u>	<u><u>\$ 241,644</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 563,270</u></u>	<u><u>\$ (4,423)</u></u>

**CITY OF LAKE FOREST
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

	Capital Projects Funds					
	Lake Forest Transportation Mitigation	Park Development	Affordable Housing	FCPP	Meadows Traffic Improvement	Total Other Governmental Funds
	REVENUES					
Intergovernmental	\$ -	\$ 230,725	\$ -	\$ 592,510	\$ -	\$ 5,562,423
Charges for Services - Other	-	-	-	-	-	7,961
Developer Contributions	44,145	-	-	-	-	44,145
Investment Income	397,969	81,058	162,405	643,899	-	1,603,860
Other	-	-	-	-	-	64,697
Total Revenues	<u>442,114</u>	<u>311,783</u>	<u>162,405</u>	<u>1,236,409</u>	<u>-</u>	<u>7,283,086</u>
EXPENDITURES						
Current:						
Public Safety	-	-	-	-	-	527,236
Planning, Engineering, Building, and Safety	-	-	-	-	-	13,756
Transportation	56,671	-	-	-	-	56,671
Environmental Services	-	-	-	-	-	151,782
Community Vitality and Engagement	-	-	-	-	-	387,236
Capital Improvement Plan	1,121,015	553,972	-	310,203	38,036	4,359,662
Total Expenditures	<u>1,177,686</u>	<u>553,972</u>	<u>-</u>	<u>310,203</u>	<u>38,036</u>	<u>5,496,343</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(735,572)	(242,189)	162,405	926,206	(38,036)	1,786,743
Fund Balances - Beginning of Year	<u>8,892,025</u>	<u>1,954,165</u>	<u>7,142,246</u>	<u>13,336,675</u>	<u>2,319,060</u>	<u>42,534,410</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,156,453</u>	<u>\$ 1,711,976</u>	<u>\$ 7,304,651</u>	<u>\$ 14,262,881</u>	<u>\$ 2,281,024</u>	<u>\$ 44,321,153</u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 110,000	\$ 116,824	\$ 6,824
Investment Income	2,700	29,705	27,005
Total Revenues	112,700	146,529	33,829
 EXPENDITURES			
Capital Improvement Plan	579,118	29,924	549,194
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(466,418)	116,605	583,023
 Fund Balance - Beginning of Year	586,618	586,618	-
 FUND BALANCE - END OF YEAR	\$ 120,200	\$ 703,223	\$ 583,023

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 SUPPLEMENTAL LAW ENFORCEMENT GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 180,000	\$ 250,939	\$ 70,939
EXPENDITURES			
Current:			
Public Safety	152,000	147,692	4,308
EXCESS OF REVENUES OVER EXPENDITURES	28,000	103,247	75,247
Fund Balance - Beginning of Year	310,058	310,058	-
FUND BALANCE - END OF YEAR	\$ 338,058	\$ 413,305	\$ 75,247

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment Income	\$ 58,800	\$ 61,085	\$ 2,285
Other	7,600	11,536	3,936
Total Revenues	<u>66,400</u>	<u>72,621</u>	<u>6,221</u>
EXPENDITURES			
Current:			
Community Vitality and Engagement	102,200	78,340	23,860
Capital Improvement Plan	1,200,000	-	1,200,000
Total Expenditures	<u>1,302,200</u>	<u>78,340</u>	<u>1,223,860</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,235,800)	(5,719)	1,230,081
Fund Balance - Beginning of Year	<u>1,516,853</u>	<u>1,516,853</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 281,053</u>	<u>\$ 1,511,134</u>	<u>\$ 1,230,081</u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 AB 939 SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Other	\$ 50,000	\$ 52,861	\$ 2,861
EXPENDITURES			
Current:			
Environmental Services	50,000	43,767	6,233
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	-	9,094	9,094
Fund Balance - Beginning of Year	10,143	10,143	-
FUND BALANCE - END OF YEAR	\$ 10,143	\$ 19,237	\$ 9,094

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 BEVERAGE RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 21,000	\$ 22,119	\$ 1,119
EXPENDITURES			
Current:			
Environmental Services	<u>29,937</u>	<u>20,188</u>	<u>9,749</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(8,937)	1,931	10,868
Fund Balance - Beginning of Year	<u>30,716</u>	<u>30,716</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 21,779</u></u>	<u><u>\$ 32,647</u></u>	<u><u>\$ 10,868</u></u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,620,388	\$ 1,045,996	\$ (574,392)
Other	-	300	300
Total Revenues	<u>1,620,388</u>	<u>1,046,296</u>	<u>(574,092)</u>
 EXPENDITURES			
Current:			
Community Vitality and Engagement	846,745	224,856	621,889
Capital Improvement Plan	864,244	822,008	42,236
Total Expenditures	<u>1,710,989</u>	<u>1,046,864</u>	<u>664,125</u>
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	 (90,601)	 (568)	 90,033
 Fund Balance - Beginning of Year	 <u>2,183,007</u>	 <u>2,183,007</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 2,092,406</u></u>	 <u><u>\$ 2,182,439</u></u>	 <u><u>\$ 90,033</u></u>

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
MEASURE M SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 2,128,574	\$ 2,048,859	\$ (79,715)
Charges for Services - Other	-	2,181	2,181
Investment Income	13,000	227,739	214,739
Total Revenues	<u>2,141,574</u>	<u>2,278,779</u>	<u>137,205</u>
EXPENDITURES			
Current:			
Community Vitality and Engagement	104,000	84,040	19,960
Capital Improvement Plan	5,694,963	1,480,081	4,214,882
Total Expenditures	<u>5,798,963</u>	<u>1,564,121</u>	<u>4,234,842</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(3,657,389)	714,658	4,372,047
Fund Balance - Beginning of Year	<u>4,187,183</u>	<u>4,187,183</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 529,794</u>	<u>\$ 4,901,841</u>	<u>\$ 4,372,047</u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CASP PROGRAM SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services - Other	\$ 5,000	\$ 5,780	\$ 780
EXPENDITURES			
Current:			
Planning, Engineering, Building, and Safety	5,000	1,000	4,000
EXCESS OF REVENUES OVER EXPENDITURES	-	4,780	4,780
Fund Balance - Beginning of Year	35,071	35,071	-
FUND BALANCE - END OF YEAR	\$ 35,071	\$ 39,851	\$ 4,780

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 SB1383 ORGANIC WASTE RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ 233,689	\$ 233,689
EXPENDITURES			
Current:			
Environmental Services	173,412	87,827	85,585
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(173,412)	145,862	319,274
Fund Balance - Beginning of Year	95,782	95,782	-
FUND BALANCE - END OF YEAR	\$ (77,630)	\$ 241,644	\$ 319,274

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CAL-FIRE LHMP SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 82,500	\$ 77,948	\$ (4,552)
EXPENDITURES			
Current:			
Planning, Engineering, Building, and Safety	17,308	12,756	4,552
EXCESS OF REVENUES OVER EXPENDITURES	65,192	65,192	-
Fund Balance - Beginning of Year	(65,192)	(65,192)	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 PLHA STATE GRANT FUND SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 942,814	\$ 942,814	\$ -
EXPENDITURES			
Current:			
Public Safety	942,814	379,544	563,270
EXCESS OF REVENUES OVER EXPENDITURES	-	563,270	563,270
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 563,270</u>	<u>\$ 563,270</u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CALTRANS SRRSAA SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 248,199	\$ -	\$ (248,199)
EXPENDITURES			
Capital Improvement Plan	248,199	4,423	243,776
DEFICIT OF REVENUES UNDER EXPENDITURES	-	(4,423)	(4,423)
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ (4,423)	\$ (4,423)

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
LAKE FOREST TRANSPORTATION MITIGATION CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Developer Contributions	\$ 112,500	\$ 44,145	\$ (68,355)
Investment Income	103,200	397,969	294,769
Total Revenues	215,700	442,114	226,414
EXPENDITURES			
Current:			
Transportation	80,000	56,671	23,329
Capital Improvement Plan	6,177,471	1,121,015	5,056,456
Total Expenditures	6,257,471	1,177,686	5,079,785
DEFICIT OF REVENUES UNDER EXPENDITURES	(6,041,771)	(735,572)	5,306,199
Fund Balance - Beginning of Year	8,892,025	8,892,025	-
FUND BALANCE - END OF YEAR	\$ 2,850,254	\$ 8,156,453	\$ 5,306,199

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 230,725	\$ 230,725	\$ -
Investment Income	23,100	81,058	57,958
Total Revenues	<u>253,825</u>	<u>311,783</u>	<u>57,958</u>
EXPENDITURES			
Capital Improvement Plan	<u>1,231,596</u>	<u>553,972</u>	<u>677,624</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(977,771)	(242,189)	735,582
Fund Balance - Beginning of Year	<u>1,954,165</u>	<u>1,954,165</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 976,394</u></u>	<u><u>\$ 1,711,976</u></u>	<u><u>\$ 735,582</u></u>

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 AFFORDABLE HOUSING CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 162,405	\$ 162,405
EXPENDITURES			
Capital Improvement Plan	200,000	-	200,000
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(200,000)	162,405	362,405
Fund Balance - Beginning of Year	7,142,246	7,142,246	-
FUND BALANCE - END OF YEAR	\$ 6,942,246	\$ 7,304,651	\$ 362,405

**CITY OF LAKE FOREST
BUDGETARY COMPARISON SCHEDULE
FCPP CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ 592,510	\$ 592,510
Developer Contributions	818,050	-	(818,050)
Investment Income	254,900	643,899	388,999
Total Revenues	1,072,950	1,236,409	163,459
 EXPENDITURES			
Capital Improvement Plan	4,747,497	310,203	4,437,294
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(3,674,547)	926,206	4,600,753
 Fund Balance - Beginning of Year	13,336,675	13,336,675	-
 FUND BALANCE - END OF YEAR	\$ 9,662,128	\$ 14,262,881	\$ 4,600,753

**CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 MEADOWS TRAFFIC IMPROVEMENT CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Capital Improvement Plan	<u>2,252,673</u>	<u>38,036</u>	<u>2,214,637</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(2,252,673)	(38,036)	2,214,637
Fund Balance - Beginning of Year	<u>2,319,060</u>	<u>2,319,060</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 66,387</u></u>	<u><u>\$ 2,281,024</u></u>	<u><u>\$ 2,214,637</u></u>

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CUSTODIAL FUNDS

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**CITY OF LAKE FOREST
CUSTODIAL FUNDS
JUNE 30, 2024**

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, 2024**

	Road Construction Programs	Strong Motion Instrumentation Program	Building Standards Administration	Total
ASSETS				
Cash and Investments	\$ 67,476	\$ 3,428	\$ 933	\$ 71,837
LIABILITIES				
Other Payable	36,696	-	-	36,696
NET POSITION				
Restricted for Other Governments	\$ 30,780	\$ 3,428	\$ 933	\$ 35,141

**CITY OF LAKE FOREST
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS
 YEAR ENDED JUNE 30, 2024**

	<u>Road Construction Programs</u>	<u>Strong Motion Instrumentation Program</u>	<u>Building Standards Administration</u>	<u>Total Custodial Funds</u>
ADDITIONS				
Fees Collected	\$ 726,637	\$ 16,837	\$ 4,377	\$ 747,851
DEDUCTIONS				
Payments to Organizations	<u>778,274</u>	<u>18,925</u>	<u>5,185</u>	<u>802,384</u>
CHANGE IN NET POSITION	(51,637)	(2,088)	(808)	(54,533)
Net Position - Beginning of Year	<u>82,417</u>	<u>5,516</u>	<u>1,741</u>	<u>89,674</u>
NET POSITION - END OF YEAR	<u>\$ 30,780</u>	<u>\$ 3,428</u>	<u>\$ 933</u>	<u>\$ 35,141</u>

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STATISTICAL SECTION

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**CITY OF LAKE FOREST
DESCRIPTION OF STATISTICAL SECTION CONTENTS
JUNE 30, 2024**

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.

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

	Fiscal Year				
	2024	2023	2022	2021	2020
Governmental Activities:					
Net Investment in Capital					
Assets	\$ 339,714,003	\$ 348,428,158	\$ 354,931,142	\$ 364,478,865	\$ 369,539,737
Restricted	99,900,820	92,927,073	72,926,232	56,821,382	33,443,619
Unrestricted	123,427,973	111,333,965	104,627,188	73,718,459	67,713,709
Total Governmental Activities Net Position	<u>\$ 563,042,796</u>	<u>\$ 552,689,196</u>	<u>\$ 532,484,562</u>	<u>\$ 495,018,706</u>	<u>\$ 470,697,065</u>
Primary Government:					
Net Investment in Capital					
Assets	\$ 339,714,003	\$ 348,428,158	\$ 354,931,142	\$ 364,478,865	\$ 369,539,737
Restricted	99,900,820	92,927,073	72,926,232	56,821,382	33,443,619
Unrestricted	123,427,973	111,333,965	104,627,188	73,718,459	67,713,709
Total Primary Government Net Position	<u>\$ 563,042,796</u>	<u>\$ 552,689,196</u>	<u>\$ 532,484,562</u>	<u>\$ 495,018,706</u>	<u>\$ 470,697,065</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental Activities:					
Net Investment in Capital					
Assets	\$ 350,135,051	\$ 306,575,269	\$ 289,675,809	\$ 290,672,787	\$ 295,972,599
Restricted	46,500,440	85,056,220	86,935,224	57,690,609	29,800,383
Unrestricted	62,454,098	59,233,561	57,503,603	53,161,871	46,337,745
Total Governmental Activities Net Position	<u>\$ 459,089,589</u>	<u>\$ 450,865,050</u>	<u>\$ 434,114,636</u>	<u>\$ 401,525,267</u>	<u>\$ 372,110,727</u>
Primary Government:					
Net Investment in Capital					
Assets	\$ 350,135,051	\$ 306,575,269	\$ 289,675,809	\$ 290,672,787	\$ 295,972,599
Restricted	46,500,440	85,056,220	86,935,224	57,690,609	29,800,383
Unrestricted	62,454,098	59,233,561	57,503,603	53,161,871	46,337,745
Total Primary Government Net Position	<u>\$ 459,089,589</u>	<u>\$ 450,865,050</u>	<u>\$ 434,114,636</u>	<u>\$ 401,525,267</u>	<u>\$ 372,110,727</u>

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

	Fiscal Year				
	2024	2023	2022	2021	2020
Expenses:					
Governmental Activities:					
Legislative	\$ 453,386	\$ -	\$ -	\$ -	\$ -
Management and Support	14,068,704	-	-	-	-
Public Safety	22,547,514	-	-	-	-
Infrastructure Maintenance Services	21,152,181	-	-	-	-
Planning, Engineering, Building, and Safety	4,870,660	-	-	-	-
Transportation	979,595	-	-	-	-
Environmental Services	1,407,292	-	-	-	-
Culture, Leisure, and Recreation	3,820,979	-	-	-	-
Community Vitality and Engagement	4,949,276	-	-	-	-
Interest on Long-Term Liabilities	13,607	-	-	-	-
General Government	-	21,607,469	1,582,139	11,572,488	7,585,821
Public Safety	-	20,389,023	21,489,237	18,692,435	18,535,864
Public Works	-	23,656,425	27,486,429	25,618,790	28,288,176
Community Development	-	3,818,646	4,018,880	3,782,269	4,288,351
Management Services	-	1,302,142	1,058,709	968,139	2,152,820
Community Services	-	3,197,313	2,201,187	1,687,425	3,692,026
Redevelopment/Economic Development	-	-	-	-	-
Interest on Long-Term Debt	-	3,265	2,189	-	-
Total Governmental Activities Expenses	<u>74,263,194</u>	<u>73,974,283</u>	<u>57,838,770</u>	<u>62,321,546</u>	<u>64,543,058</u>
Program Revenues:					
Governmental Activities:					
Charges For Services:					
Legislative	-	-	-	-	-
Management and Support	211,204	-	-	-	-
Public Safety	322,327	-	-	-	-
Infrastructure Maintenance Services	5,022	-	-	-	-
Planning, Engineering, Building, and Safety	3,482,605	-	-	-	-
Transportation	22,400	-	-	-	-
Environmental Services	100,938	-	-	-	-
Culture, Leisure, and Recreation	2,496,348	-	-	-	-
Community Vitality and Engagement	2,181	-	-	-	-
General Government	-	33,092	36,944	26,831	25,113
Public Safety	-	401,593	417,969	351,282	319,814
Public Works	-	1,378,911	1,829,610	1,783,741	2,378,094
Community Development	-	3,363,755	4,320,387	3,662,837	3,780,717
Management Services	-	-	-	-	26,083
Community Services	-	2,085,381	1,828,298	739,802	703,713
Operating Grants and Contributions	12,752,359	9,699,422	18,468,984	7,423,897	7,246,720
Capital Grants and Contributions	2,492,018	18,669,419	18,275,543	25,703,805	16,071,607
Total Governmental Activities Program Revenues	<u>21,887,402</u>	<u>35,631,573</u>	<u>45,177,735</u>	<u>39,692,195</u>	<u>30,551,861</u>
Total Primary Government Program Revenues	<u>21,887,402</u>	<u>35,631,573</u>	<u>45,177,735</u>	<u>39,692,195</u>	<u>30,551,861</u>
Net Expenses:					
Governmental Activities	<u>(52,375,792)</u>	<u>(38,342,710)</u>	<u>(12,661,035)</u>	<u>(22,629,351)</u>	<u>(33,991,197)</u>
Total Net Expenses	<u>(52,375,792)</u>	<u>(38,342,710)</u>	<u>(12,661,035)</u>	<u>(22,629,351)</u>	<u>(33,991,197)</u>
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property Taxes, Levied for General Purpose	26,479,311	-	-	-	-
Property Taxes	-	24,912,549	23,650,507	22,325,072	21,393,000
Transient Occupancy Taxes	5,941,072	5,818,578	5,228,021	2,883,787	2,922,220
Franchise Tax	2,599,795	-	-	-	-
Other Taxes	308,456	2,961,162	2,702,922	2,641,459	2,477,570
Unrestricted intergovernmental - sales tax	17,678,956	-	-	-	-
Intergovernmental - Sales Tax	-	19,049,883	19,024,143	17,241,510	15,588,270
Investment Income	8,742,652	4,903,933	(1,188,181)	829,264	2,344,469
Other General Revenues	979,150	901,239	709,479	929,900	973,144
Total Governmental Activities	<u>62,729,392</u>	<u>58,547,344</u>	<u>50,126,891</u>	<u>46,850,992</u>	<u>45,698,673</u>
Total Primary Government	<u>62,729,392</u>	<u>58,547,344</u>	<u>50,126,891</u>	<u>46,850,992</u>	<u>45,698,673</u>
Changes In Net Position - Governmental Activities	<u>10,353,600</u>	<u>20,204,634</u>	<u>37,465,856</u>	<u>24,221,641</u>	<u>11,707,476</u>
Before Extraordinary Items	<u>10,353,600</u>	<u>20,204,634</u>	<u>37,465,856</u>	<u>24,221,641</u>	<u>11,707,476</u>
Gain (Loss) on Sale of Property	-	-	-	454,896	-
Changes in Net Position - Governmental Activities	<u>10,353,600</u>	<u>20,204,634</u>	<u>37,465,856</u>	<u>24,676,537</u>	<u>11,707,476</u>
Total Primary Government	<u>\$ 10,353,600</u>	<u>\$ 20,204,634</u>	<u>\$ 37,465,856</u>	<u>\$ 24,676,537</u>	<u>\$ 11,707,476</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Expenses:					
Governmental Activities:					
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -
Management and Support	-	-	-	-	-
Public Safety	-	-	-	-	-
Infrastructure Maintenance Services	-	-	-	-	-
Planning, Engineering, Building, and Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Environmental Services	-	-	-	-	-
Culture, Leisure, and Recreation	-	-	-	-	-
Community Vitality and Engagement	-	-	-	-	-
Interest on Long-Term Liabilities	-	-	-	-	-
General Government	7,093,463	6,546,094	4,272,828	3,335,882	3,332,153
Public Safety	18,425,493	17,923,801	17,077,527	14,853,065	14,194,696
Public Works	24,444,530	24,687,112	23,524,052	20,500,898	20,092,962
Community Development	3,911,748	3,416,043	4,099,647	3,085,798	2,952,975
Management Services	1,984,013	1,685,829	3,530,256	4,282,761	3,851,942
Community Services	4,020,637	3,822,054	3,669,210	3,513,867	3,583,291
Redevelopment/Economic Development	-	1,259,409	1,364,991	1,303,781	1,399,347
Interest on Long-Term Debt	180,651	296,355	326,511	355,732	383,724
Total Governmental Activities Expenses	<u>60,060,535</u>	<u>59,636,697</u>	<u>57,865,022</u>	<u>51,231,784</u>	<u>49,791,090</u>
Program Revenues:					
Governmental Activities:					
Charges For Services:					
Legislative	-	-	-	-	-
Management and Support	-	-	-	-	-
Public Safety	-	-	-	-	-
Infrastructure Maintenance Services	-	-	-	-	-
Planning, Engineering, Building, and Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Environmental Services	-	-	-	-	-
Culture, Leisure, and Recreation	-	-	-	-	-
Community Vitality and Engagement	-	-	-	-	-
General Government	38,118	111,937	53,071	29,163	24,083
Public Safety	482,786	427,082	421,998	539,537	445,789
Public Works	2,483,073	2,211,935	2,256,578	1,557,687	1,201,162
Community Development	3,026,777	3,934,617	5,291,838	4,007,925	2,892,724
Management Services	49,433	38,477	29,702	22,175	19,212
Community Services	850,639	849,645	776,774	796,292	562,548
Operating Grants and Contributions	5,684,836	5,497,777	4,482,584	3,883,399	4,407,227
Capital Grants and Contributions	6,781,304	20,318,939	36,901,620	31,307,562	33,597,542
Total Governmental Activities Program Revenues	<u>19,396,966</u>	<u>33,390,409</u>	<u>50,214,165</u>	<u>42,143,740</u>	<u>43,150,287</u>
Total Primary Government Program Revenues	<u>19,396,966</u>	<u>33,390,409</u>	<u>50,214,165</u>	<u>42,143,740</u>	<u>43,150,287</u>
Net Expenses:					
Governmental Activities	<u>(40,663,569)</u>	<u>(26,246,288)</u>	<u>(7,650,857)</u>	<u>(9,088,044)</u>	<u>(6,640,803)</u>
Total Net Expenses	<u>(40,663,569)</u>	<u>(26,246,288)</u>	<u>(7,650,857)</u>	<u>(9,088,044)</u>	<u>(6,640,803)</u>
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property Taxes, Levied for General Purpose	-	-	-	-	-
Property Taxes	20,162,559	18,729,118	17,387,743	16,481,857	15,556,617
Transient Occupancy Taxes	3,670,842	3,809,393	3,775,297	3,575,733	3,406,661
Franchise Tax	-	-	-	-	-
Other Taxes	2,663,628	2,506,724	2,355,130	2,565,754	2,620,206
Unrestricted intergovernmental - sales tax	-	-	-	-	-
Intergovernmental - Sales Tax	17,104,605	16,051,061	15,639,800	15,425,638	13,810,581
Investment Income	3,606,918	1,621,638	740,011	893,502	304,820
Other General Revenues	1,679,556	524,935	342,245	453,558	465,899
Total Governmental Activities	<u>48,888,108</u>	<u>43,242,869</u>	<u>40,240,226</u>	<u>39,396,042</u>	<u>36,164,784</u>
Total Primary Government	<u>48,888,108</u>	<u>43,242,869</u>	<u>40,240,226</u>	<u>39,396,042</u>	<u>36,164,784</u>
Changes In Net Position - Governmental Activities					
Before Extraordinary Items	8,224,539	16,996,581	32,589,369	30,307,998	29,523,981
Gain (Loss) on Sale of Property	-	-	-	(893,458)	-
Changes in Net Position - Governmental Activities	<u>8,224,539</u>	<u>16,996,581</u>	<u>32,589,369</u>	<u>29,414,540</u>	<u>29,523,981</u>
Total Primary Government	<u>\$ 8,224,539</u>	<u>\$ 16,996,581</u>	<u>\$ 32,589,369</u>	<u>\$ 29,414,540</u>	<u>\$ 29,523,981</u>

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

Beginning with the FY 2023-25 Operating Budget, the City of Lake Forest transitioned from a "department-based" budget, to a "program" budget. The program budget organizes functions by program area and assists in clearly and effectively communicating the city's service and spending priorities. The Program Financial Summaries section contains the breakdown of the 2023-2025 Operating Budget by program area and program. Programs are organized into nine program areas which identify major services provided by the City: Legislative, Management and Support, Public Safety, Infrastructure Maintenance Services, Planning, Engineering, Building and Safety, Transportation, Environmental Services, Culture, Leisure, and Recreation, and Community Vitality and Engagement.

These program areas segment City operations on a more granular level than the former department-based structure. For comparability purposes, there are correlations between program areas and departments that can assist readers of the financial statements with year-over-year comparisons. General Government was primarily split into Legislative and Management and Support. Public Works was split into Infrastructure Maintenance Services, Transportation, and Environmental Services. A portion of Public Works is included in Planning, Engineering, Building, and Safety, but this program area is mostly comparable to Community Development. Similarly, a portion of Community Development is included in Community Vitality and Engagement. However, the majority of this program area along with Culture, Leisure, and Recreation is comparable to Management Services.

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

	Fiscal Year				
	2024	2023	2022	2021	2020
General Fund:					
Nonspendable	\$ 53,675	\$ 35,002	\$ 68,807	\$ 729,906	\$ 3,518
Restricted	3,465,757	3,117,363	1,419,295	1,638,794	1,347,100
Assigned	6,761,951	7,134,413	9,182,788	9,933,798	11,988,737
Unassigned	<u>110,077,088</u>	<u>100,687,390</u>	<u>82,067,591</u>	<u>63,701,475</u>	<u>55,915,468</u>
Total General Fund	<u>\$ 120,358,471</u>	<u>\$ 110,974,168</u>	<u>\$ 92,738,481</u>	<u>\$ 76,003,973</u>	<u>\$ 69,254,823</u>
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	98,240,311	89,751,989	71,231,563	54,915,772	29,272,151
Assigned	-	-	-	-	-
Unassigned	<u>(4,423)</u>	<u>(65,192)</u>	<u>-</u>	<u>-</u>	<u>(1,045,938)</u>
Total All Other Governmental Funds	<u>\$ 98,235,888</u>	<u>\$ 89,686,797</u>	<u>\$ 71,231,563</u>	<u>\$ 54,915,772</u>	<u>\$ 28,226,213</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
General Fund:					
Nonspendable	\$ 264,614	\$ 177,773	\$ 226,841	\$ 178,475	\$ 303,476
Restricted	1,303,586	1,224,083	1,150,267	1,043,297	-
Assigned	21,165,375	9,664,400	9,278,800	8,849,600	8,222,100
Unassigned	31,438,240	41,264,992	38,435,970	33,963,474	38,472,716
Total General Fund	<u>\$ 54,171,815</u>	<u>\$ 52,331,248</u>	<u>\$ 49,091,878</u>	<u>\$ 44,034,846</u>	<u>\$ 46,998,292</u>
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	44,642,003	78,509,217	85,612,637	56,647,312	29,800,383
Assigned	7,971,979	5,609,280	8,063,531	9,883,339	2,927,234
Unassigned	2	-	429,200	-	-
Total All Other Governmental Funds	<u>\$ 52,613,984</u>	<u>\$ 84,118,497</u>	<u>\$ 94,105,368</u>	<u>\$ 66,530,651</u>	<u>\$ 32,727,617</u>

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

	Fiscal Year				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	\$ 35,328,634	\$ 33,692,289	\$ 31,674,290	\$ 27,799,188	\$ 26,792,790
Licenses and Permits	1,580,298	2,765,576	3,193,228	2,467,593	2,395,798
Intergovernmental	11,121,956	14,099,853	9,953,576	5,935,919	6,816,782
Intergovernmental - Sales Tax	17,678,956	19,049,883	23,153,254	19,027,800	15,588,270
Charges for Services	3,981,492	4,356,190	5,136,464	3,423,212	4,531,028
Developer Contributions	4,181,254	17,099,800	18,447,083	26,035,925	14,577,646
Fines and Forfeitures	473,787	511,109	464,559	370,443	319,814
Facility and Park Rentals, Leases	646,662	-	-	-	-
Investment Income	10,103,776	5,480,111	(1,365,506)	688,377	2,248,412
Other	608,266	682,749	653,938	1,172,984	1,799,981
Total Revenues	<u>85,705,081</u>	<u>97,737,560</u>	<u>91,310,886</u>	<u>86,921,441</u>	<u>75,070,521</u>
Expenditures:					
Current:					
Legislative	348,782	-	-	-	-
Management and Support	12,140,965	-	-	-	-
Public Safety	22,547,514	-	-	-	-
Infrastructure Maintenance Services	11,170,756	-	-	-	-
Planning, Engineering, Building, and Safety	4,828,795	-	-	-	-
Transportation	979,595	-	-	-	-
Environmental Services	1,407,292	-	-	-	-
Culture, Leisure, and Recreation	3,820,979	-	-	-	-
Community Vitality and Engagement	4,941,350	-	-	-	-
General Government	-	11,159,737	6,337,866	6,598,978	6,564,058
Public Safety	-	20,371,501	21,443,418	18,626,410	18,469,839
Public Works	-	15,120,987	15,012,173	13,901,909	15,211,690
Community Development	-	3,818,646	4,018,880	3,782,269	4,288,351
Management Services	-	1,269,215	1,042,697	940,529	2,123,195
Community Services	-	3,189,387	2,200,862	1,683,018	3,687,619
Redevelopment/Economic Development	-	-	-	-	-
Capital Outlay	5,394,658	6,694,618	6,932,675	8,730,515	34,789,835
Debt Service:					
Principal Retirement	-	-	-	-	-
Principal Retirement - Leases	14,766	14,040	13,373	-	-
Principal Retirement - SBITAs	162,628	132,598	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Interest - Leases	796	1,523	2,189	-	-
Interest - SBITAs	12,811	1,742	-	-	-
Total Expenditures	<u>67,771,687</u>	<u>61,773,994</u>	<u>57,004,133</u>	<u>54,263,628</u>	<u>85,134,587</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	17,933,394	35,963,566	34,306,753	32,657,813	(10,064,066)
Other Financing Sources (Uses):					
Transfers In	-	-	144,292	-	460,131
Transfers Out	-	-	(144,292)	-	-
Insurance Proceeds	-	-	-	-	299,074
Proceeds from Sale of Capital Assets	-	310,000	-	780,896	-
SBITA Financing	-	417,355	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>727,355</u>	<u>-</u>	<u>780,896</u>	<u>759,205</u>
Net Change in Fund Balances	<u>\$ 17,933,394</u>	<u>\$ 36,690,921</u>	<u>\$ 34,306,753</u>	<u>\$ 33,438,709</u>	<u>\$ (9,304,861)</u>
Debt Service as a Percentage of Non-Capital Expenditures	0.3%	0.3%	0.0%	0.0%	0.0%

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues:					
Taxes	\$ 26,497,028	\$ 25,045,234	\$ 23,518,169	\$ 22,623,344	\$ 21,583,487
Licenses and Permits	1,911,831	2,896,694	4,143,620	2,790,321	2,200,371
Intergovernmental	6,266,256	5,656,807	6,082,999	5,299,236	5,290,837
Intergovernmental - Sales Tax	17,104,605	16,051,061	15,639,800	15,425,638	13,810,581
Charges for Services	4,558,338	4,485,677	3,851,938	3,622,922	2,499,356
Developer Contributions	5,245,729	14,154,993	34,508,514	30,398,863	18,099,875
Fines and Forfeitures	482,786	427,082	421,998	539,537	445,789
Facility and Park Rentals, Leases	-	-	-	-	-
Investment Income	3,488,019	1,499,305	630,072	743,633	184,350
Other	8,044,385	1,544,301	445,176	560,925	660,722
Total Revenues	73,598,977	71,761,154	89,242,286	82,004,419	64,775,368
Expenditures:					
Current:					
Legislative	-	-	-	-	-
Management and Support	-	-	-	-	-
Public Safety	-	-	-	-	-
Infrastructure Maintenance Services	-	-	-	-	-
Planning, Engineering, Building, and Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Environmental Services	-	-	-	-	-
Culture, Leisure, and Recreation	-	-	-	-	-
Community Vitality and Engagement	-	-	-	-	-
General Government	7,047,438	8,505,683	4,016,228	3,581,304	3,420,787
Public Safety	18,373,444	17,884,907	17,038,633	14,814,171	14,174,946
Public Works	13,864,198	13,224,651	12,007,222	11,856,321	10,209,731
Community Development	3,911,748	3,416,043	4,099,647	3,085,798	2,952,975
Management Services	1,958,692	1,648,719	3,422,954	8,023,916	3,699,805
Community Services	4,016,020	3,817,436	3,664,055	3,511,798	3,580,642
Redevelopment/Economic Development	-	1,259,409	1,364,991	1,614,624	1,399,347
Capital Outlay	47,168,469	27,662,859	9,912,817	3,257,753	12,195,149
Debt Service:					
Principal Retirement	6,990,000	790,000	755,000	735,000	700,000
Principal Retirement - Leases	-	-	-	-	-
Principal Retirement - SBITAs	-	-	-	-	-
Interest and Fiscal Charges	203,602	298,948	328,990	358,146	386,022
Interest - Leases	-	-	-	-	-
Interest - SBITAs	-	-	-	-	-
Total Expenditures	103,533,611	78,508,655	56,610,537	50,838,831	52,719,404
Excess (Deficit) of Revenues Over (Under) Expenditures	(29,934,634)	(6,747,501)	32,631,749	31,165,588	12,055,964
Other Financing Sources (Uses):					
Transfers In	12,626,644	19,685,984	1,084,000	10,784,300	1,511,022
Transfers Out	(12,626,644)	(19,685,984)	(1,084,000)	(10,784,300)	(1,511,022)
Insurance Proceeds	270,786	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
SBITA Financing	-	-	-	-	-
Total Other Financing Sources (Uses)	270,786	-	-	-	-
Net Change in Fund Balances	\$ (29,663,848)	\$ (6,747,501)	\$ 32,631,749	\$ 31,165,588	\$ 12,055,964
Debt Service as a Percentage of Non-Capital Expenditures	0.3%	0.6%	0.6%	0.9%	0.9%

**CITY OF LAKE FOREST
 ASSESSED VALUE AND NET ASSESSED VALUE OF TAXABLE PROPERTY BY USE
 LAST TEN FISCAL YEARS
 (IN THOUSANDS OF DOLLARS)**

Category	Fiscal Year				
	2024	2023	2022	2021	2020
Residential					
Assessed Value	\$ 16,520,240	\$ 15,108,539	\$ 14,141,017	\$ 13,358,706	\$ 12,630,712
Net Assessed Value	16,461,930	15,041,254	14,090,932	13,310,706	12,583,702
Commercial					
Taxable Assessed Value	2,548,981	2,434,708	2,342,479	2,229,640	2,130,260
Net Assessed Value	2,439,876	2,294,893	2,230,055	2,131,577	2,025,780
Industrial					
Taxable Assessed Value	1,696,262	1,649,475	1,528,133	1,438,474	1,384,128
Net Assessed Value	1,688,869	1,638,345	1,520,111	1,431,136	1,376,384
Other¹					
Taxable Assessed Value	316,387	381,264	350,644	407,888	527,655
Net Assessed Value	116,259	224,648	161,102	219,232	338,817
Unsecured					
Taxable Assessed Value	843,517	844,763	846,367	866,812	866,511
Net Assessed Value	840,215	834,364	838,870	860,976	859,304
Totals					
Taxable Assessed Value	<u>21,925,387</u>	<u>20,418,749</u>	<u>19,208,640</u>	<u>18,301,520</u>	<u>17,539,266</u>
Net Assessed Value ¹	<u>21,547,149</u>	<u>20,033,504</u>	<u>18,841,070</u>	<u>17,953,627</u>	<u>17,183,987</u>
City's Direct Tax Rate ²	0.141%	0.141%	0.141%	0.141%	0.141%
Total Direct Tax Rate of Net Assessed Value ³	0.063%	0.064%	0.064%	0.064%	0.065%

Source: HdL, Coren & Cone, Orange County Assesor 2014/15-2023/24 Combined Tax Rolls

¹ "Other" may include Agricultural, Miscellaneous, Vacant, Cross Reference, and Exempt Use categories. Exempt values are not included in Total Net Taxable Value.

² City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The Educational Revenue Augmentation Fund (ERAF) portion of the City's Levy has been subtracted where known.

³ Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

⁴ Data not available.

Note: In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

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

Category	Fiscal Year				
	2019	2018	2017	2016	2015
Residential					
Assessed Value	\$ 11,557,423	n/a ⁴	n/a ⁴	n/a ⁴	n/a ⁴
Net Assessed Value	11,513,156	10,406,816	9,548,115	8,734,606	8,128,600
Commercial					
Taxable Assessed Value	2,023,829	n/a	n/a	n/a	n/a
Net Assessed Value	1,923,908	1,803,988	1,759,162	1,728,754	1,680,156
Industrial					
Taxable Assessed Value	1,318,444	n/a	n/a	n/a	n/a
Net Assessed Value	1,310,237	1,242,743	1,218,257	1,193,164	1,137,864
Other¹					
Taxable Assessed Value	634,604	n/a	n/a	n/a	n/a
Net Assessed Value	448,026	418,881	382,932	247,864	169,515
Unsecured					
Taxable Assessed Value	837,756	n/a	n/a	n/a	n/a
Net Assessed Value	830,190	789,893	786,844	764,316	795,408
Totals					
Taxable Assessed Value	<u>16,372,056</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Net Assessed Value ¹	<u>16,025,517</u>	<u>14,662,321</u>	<u>13,695,310</u>	<u>12,668,704</u>	<u>11,911,543</u>
City's Direct Tax Rate ²	0.141%	0.141%	0.141%	0.141%	0.141%
Total Direct Tax Rate of Net Assessed Value ³	0.065%	0.066%	0.066%	0.068%	0.068%

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

	Fiscal Year				
	2024	2023	2022	2021	2020
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	0.089200	0.165000
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Saddleback Valley Unified School District Bond	0.020370	0.022270	0.022000	0.023360	0.022950
Total Voter-Approved Levies	<u>0.11307</u>	<u>0.11497</u>	<u>0.11470</u>	<u>0.11606</u>	<u>0.19145</u>
Total Tax Rate	<u><u>1.11307</u></u>	<u><u>1.11497</u></u>	<u><u>1.11470</u></u>	<u><u>1.11606</u></u>	<u><u>1.19145</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				
	2019	2018	2017	2016	2015
Basic Levy:					
City of Lake Forest	0.04190	0.04186	0.04186	0.04186	0.04186
City of Lake Forest Community Service Area Reorganization	0.07070	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	0.43640	0.43637	0.43637	0.43637	0.43637
Educational Revenue Augmentation Fund	0.11100	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	0.03102	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	0.00107	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	0.165000	0.253420	0.253420	0.253420
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Saddleback Valley Unified School District Bond	0.023920	0.023650	0.026680	0.030080	0.028060
Total Voter-Approved Levies	<u>0.19242</u>	<u>0.19215</u>	<u>0.28360</u>	<u>0.28700</u>	<u>0.28498</u>
Total Tax Rate	<u><u>1.19242</u></u>	<u><u>1.19215</u></u>	<u><u>1.28360</u></u>	<u><u>1.28700</u></u>	<u><u>1.28498</u></u>

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

Taxpayer	2023-24		2014-15	
	Assessed Value	Percent of Total Assessed Value	Assessed Value	Percent of Total Assessed Value
Oakley Inc.	\$ 219,803,612	1.02 %	\$ 155,967,891	1.31 %
Prologis California I LLC	133,932,785	0.62	60,824,491	0.51
Orchard Lake Forest Ca Lp	130,581,673	0.61	118,591,824	1.00
Avalon Baker Ranch LP	122,260,159	0.57	31,643,009	0.27
Exchange Pacific Vista Commercentre Dr.	97,920,000	0.45	-	-
Applied Medical Resources Corporation	85,973,456	0.40	-	-
Buchheim Properties	80,187,198	0.37	40,357,534	0.34
CCF Industries Spectrum LLC	63,639,893	0.30	-	-
Rexford Industrial Realty LP	61,031,620	0.28	-	-
Lake Forest 131 Investors LP	60,488,245	0.28	-	-
Tae Technologies Inc	59,172,046	0.27	-	-
ComRef SO CA Industrial Sub F/G LLC	57,702,983	0.27	49,486,187	0.42
Canon Property Holdings LLC	56,208,773	0.26	-	-
B9 Sequoia Canada Center Owner LP	53,667,950	0.25	-	-
Avalon Arboretum LP	50,796,444	0.24	41,989,772	0.35
WLCO LF Partners	50,362,931	0.23	42,619,471	0.36
BCORE Retail Heritage Hill LLC	50,179,293	0.23	-	-
U.S. REIF Lake Forest Village California	46,854,587	0.22	38,664,741	0.32
Foothill-Pacific Towne Centre	45,668,470	0.21	36,524,512	0.31
Lake Forest Income Partners Holdco LLC	45,453,858	0.21	38,100,000	0.32
Cadigan Canyon Woods Apartments LLC	45,064,672	0.21	-	-
Pinnacle Asset Management Group LLC	44,654,559	0.21	-	-
The Arbors Lake Forest Owner LLC	42,919,935	0.20	-	-
KB Palm Terrace DST	42,656,400	0.20	-	-
EQR-Siena Terrace LLC	42,311,267	0.20	35,902,676	0.30
Panasonic Avionics Corporation	-	-	101,098,987	0.85
Tri Alpha Energy Inc	-	-	102,396,348	0.86
Icon Owner Pool 1 LA Busn Park	-	-	60,122,540	0.50
Towne Centre Office Ptrs LLC	-	-	49,931,160	0.42
Acquiport Three Corporation	-	-	44,680,064	0.38
Shea Baker Ranch Associates LLC	-	-	45,439,239	0.38
CREF Pacific Vista, LLC.	-	-	59,267,860	0.50
CPUS Foothill Plaza LP	-	-	40,205,549	0.34
L M NO 12 (LAKE FOREST II)	-	-	36,426,485	0.31
Arden Realty LP	-	-	37,569,000	0.32
EQR Sombra 2008 LP	-	-	34,171,693	0.29
Bayport Serrano Association LP	-	-	31,694,197	0.27
NP Bellecour Inc.	-	-	31,515,381	0.26
Top Twenty-Five Totals	1,789,492,809	8.31 %	1,365,190,611	11.46 %
City Totals	\$ 21,547,149,172	100.00 %	\$ 11,911,542,386	100.00 %

Source: HdL, Coren & Cone, Orange County Assessor 2023/24 and 2014/15 Combined Tax Rolls and the SBE Non Unitary Tax Roll, and the 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
2024	\$ 12,513,372	\$ 12,302,576	98.32%	\$ -	\$ 12,302,576	98.32%
2023	11,687,964	11,497,182	0.98	-	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

* 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
2024	\$ -	\$ 5,956	\$ 314,048	\$ 320,004	\$ 320,004	0.00%	*	-
2023	-	20,722	476,676	497,398	497,398	0.00	*	6
2022	-	34,762	-	34,762	34,762	#REF!	*	-
2021	-	-	-	-	-	#REF!	*	-
2020	-	-	-	-	-	#REF!	*	-
2019	-	-	-	-	-	#REF!	*	-
2018	6,990,000	-	-	6,990,000	6,990,000	#REF!	*	82
2017	7,780,000	-	-	7,780,000	7,780,000	#REF!	3.73%	90
2016	8,535,000	-	-	8,535,000	8,535,000	#REF!	4.33	99
2015	9,270,000	-	-	9,270,000	9,270,000	#REF!	5.06	107

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, 2024**

	Total Debt June 30, 2024	Percentage Applicable (1)	City's Share of Debt
Overlapping Tax and Assessment Debt:			
Metropolitan Water District	\$ 18,210,000	0.556%	\$ 101,248
Saddleback Valley Unified School District	74,370,000	40.172	29,875,916
Irvine Ranch Water District I.D. No. 125	157,134,762	16.951	26,635,913
Irvine Ranch Water District I.D. No. 185	3,081,700	100.000	3,081,700
Irvine Ranch Water District I.D. No. 188	1,727,908	100.000	1,727,908
Irvine Ranch Water District I.D. No. 225	230,261,626	19.243	44,309,245
Irvine Ranch Water District I.D. No. 288	135,247	100.000	135,247
Total Overlapping Tax and Assessment Debt			105,867,177
Direct and Overlapping General Fund Debt:			
Orange County General Fund Obligations	440,385,000	2.798	12,321,972
Orange County Board of Education			
General Fund Obligations	10,030,000	2.798	280,639
City of Lake Forest Certificates of Participation	-	100.000	-
Total Direct and Overlapping General Fund Debt			12,602,611
Overlapping Tax Increment Debt (Successor Agency):			
City of Lake Forest Certificates of Participation	4,405,000	97.592	4,298,928
Total Overlapping Tax Increment Debt			\$ 4,298,928
Total Direct Debt			\$ -
Total Overlapping Debt			\$ 122,768,716
Combined Total Debt (2)			\$ 122,768,716

(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 value that is 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, 2024**

2023-24 Assessed Valuation \$ 21,543,480,168

Ratios to 2023-24 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.49%
Total Direct Debt (\$-0-)	0.00%
Combined Total Debt	0.57%

Ratios to Redevelopment Successor Agencies Incremental Value (\$1,227,482,144):

Total Overlapping Tax Increment Debt	0.35%
--------------------------------------	-------

Source: California Municipal Statistics, Inc. (Calmuni)

**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
2024	\$ 21,925,387,484	15%	\$ 3,288,808,123	\$ -	\$ 3,288,808,123
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

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>
2024	*	*	*	*
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

* 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	2023-24		2014-15	
	Number of Employees*	Percent of Total Employment	Number of Employees*	Percent of Total Employment
Oakley Inc.	1,400	03.00 %	2,219	4.68 %
Bal Seal Engineering	500	01.07	447	0.94
Cox Communications	488	01.05	-	-
AVEVA (formerly Schneider Electric & Wonderware Corp)	411	0.88	550	1.16
Kawasaki Motors Corp., U.S.A.	400	0.86	-	-
Wal-Mart	340	0.73	315	0.66
Alcon Research	300	0.64	315	0.66
Spectrum Brands HHI	-	-	474	1.00
Home Depot USA Inc.	225	0.48	307	0.65
Dynacast	180	0.39	250	0.53
U.S. Real Estate Services, Inc.	48	0.10	-	-
Loan Depot	-	-	1,890	3.99
Panasonic Avionics	-	-	1,945	4.10
Apria Healthcare Group Inc.	-	-	307	0.65
Wet Seal	-	-	60	0.13
Genesis Healthercare (formerly Skilled Healthcare)	-	-	70	0.15
Spectrum Care	-	-	175	0.37
Ossur Americas	-	-	164	0.35
	<u>4,292</u>	<u>09.21 %</u>	<u>9,488</u>	<u>20.02 %</u>
Total Employment**	46,600		47,400	

Sources:

* Information provided by companies

** California Employment Development - August 2024

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

Function:	Full-Time and Part-time Employees as of June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Government	33	32	31	26	28	28	28	32	33	30
Public Works	18	16	17	17	17	17	17	17	16	13
Development Services	15	15	12	12	14	14	12	9	9	9
Community Services*	81	69	61	65	116	116	100	90	85	87
Police Services	2	1	1	1	1	1	1	1	1	1
Total	149	133	122	121	176	176	158	149	144	140

* 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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police*:										
Arrests	1,273	1,407	1,428	1,429	1,478	853	875	719	843	718
Number of Calls Responded to	28,367	27,558	27,339	26,678	29,375	32,294	29,591	29,300	30,447	23,093
Public Works:										
Street Resurfacing (in Miles)	0.20	-	1.60	-	6.85	0.00	0.00	3.00	10.00	16.00
Parks And Recreation:										
Number of Recreation										
Classes**	1,147	944	941	1,767	603	1,158	1,393	1,137	1,127	993
Number of Facility Rentals	1,252	836	552	400	538	636	633	659	679	439

* 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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works:										
Streets (Miles)	204	204	204	170	167	160	160	159	157	151
Traffic Signals	104	104	104	104	104	102	102	97	97	98
Parks and Recreation:										
Parks	31	31	31	31	30	29	29	29	29	29
Community Centers	5	5	5	5	5	2	2	2	2	2

Source: City of Lake Forest