



CITY OF LAKE FOREST

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year 2023-24

Investing in the Future

Table Of Contents

- 1 Table of Contents / Introduction to the PAFR
- 2 Message from the Director of Finance / City Treasurer
- 3 City of Lake Forest Organizational Chart
- 4 Your City Council
- 5 City Profile
- 6 Lake Forest by the Numbers
- 7 About the City
- 8 Financial Planning
- 9 FY 2023-24 Accomplishments and Initiatives / Awards and Acknowledgments
- 10 Fund Accounting
- 11 Where the Money Comes From
- 12 Where the Money Goes
- 13 Statement of Net Position
- 14 Statement of Activities
- 15 What the City Owns: Assets and Investments
- 16 What the City Owes: Long-term Liabilities
- 17 Financial Future: Risk Reserve Analysis
- 18 Glossary
- 19 Stay Connected

Introduction to the PAFR

The Popular Annual Financial Report (PAFR) is a **simplified summary of the City's financial activities** designed to provide a clear and accessible overview of how public funds are managed. It is prepared to enhance **transparency** and foster **public trust** by presenting key financial information in an easy-to-understand format. The City aims to achieve the **Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting**, reflecting our commitment to high standards of financial accountability and communication.



Message from the Director of Finance/City Treasurer



Kevin Shirah, CPA
Director of Finance/
City Treasurer



The City of Lake Forest's inaugural PAFR provides a snapshot of the City's financial health and accomplishments, offering a clear and accessible overview of its position for the fiscal year ending June 30, 2024.

Welcome to the City of Lake Forest's Popular Annual Financial Report (PAFR)

The Finance Department is proud to present the City of Lake Forest's inaugural Popular Annual Financial Report (PAFR) for the **fiscal year ending June 30, 2024 (FY 2023-24)**. This report is designed to provide a clear summary of the City's financial position for the fiscal year.

The information here comes from our **Annual Comprehensive Financial Report (ACFR)**, which adheres to Generally Accepted Accounting Principles (GAAP) and undergoes an independent audit to ensure accuracy and reliability. While the **ACFR** contains comprehensive details, its volume and technical nature can be overwhelming.

The **PAFR** bridges this gap by offering a user-friendly overview of the City's finances while maintaining its foundation in the audited financial statements. Although the **PAFR** is a **non-GAAP document**, it reflects the same **commitment to transparency and accuracy** as the ACFR.

Our goal is to make the City's **financial information** more **accessible** and **engaging**.

We hope you find this report informative and enjoyable. Should you have any questions or need further clarification, please refer to the contact information provided at the end of this **PAFR**.

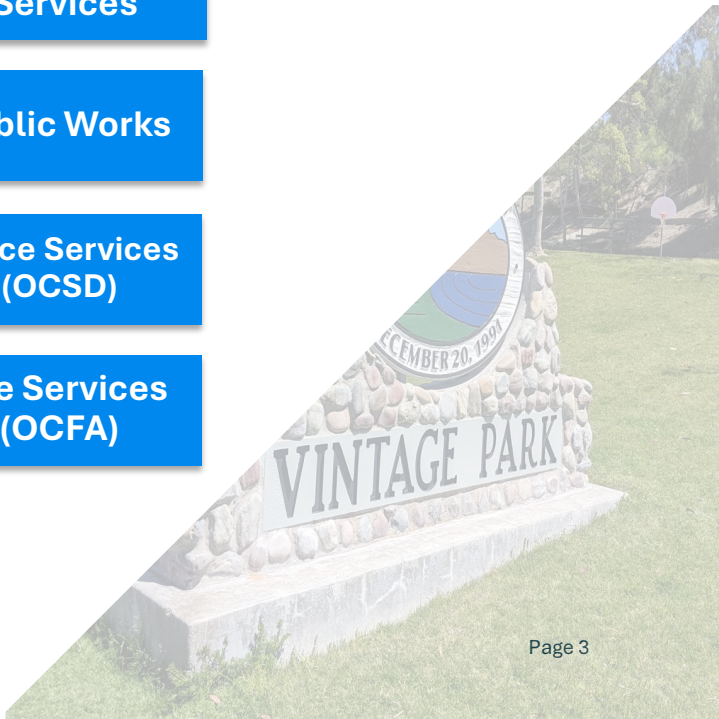
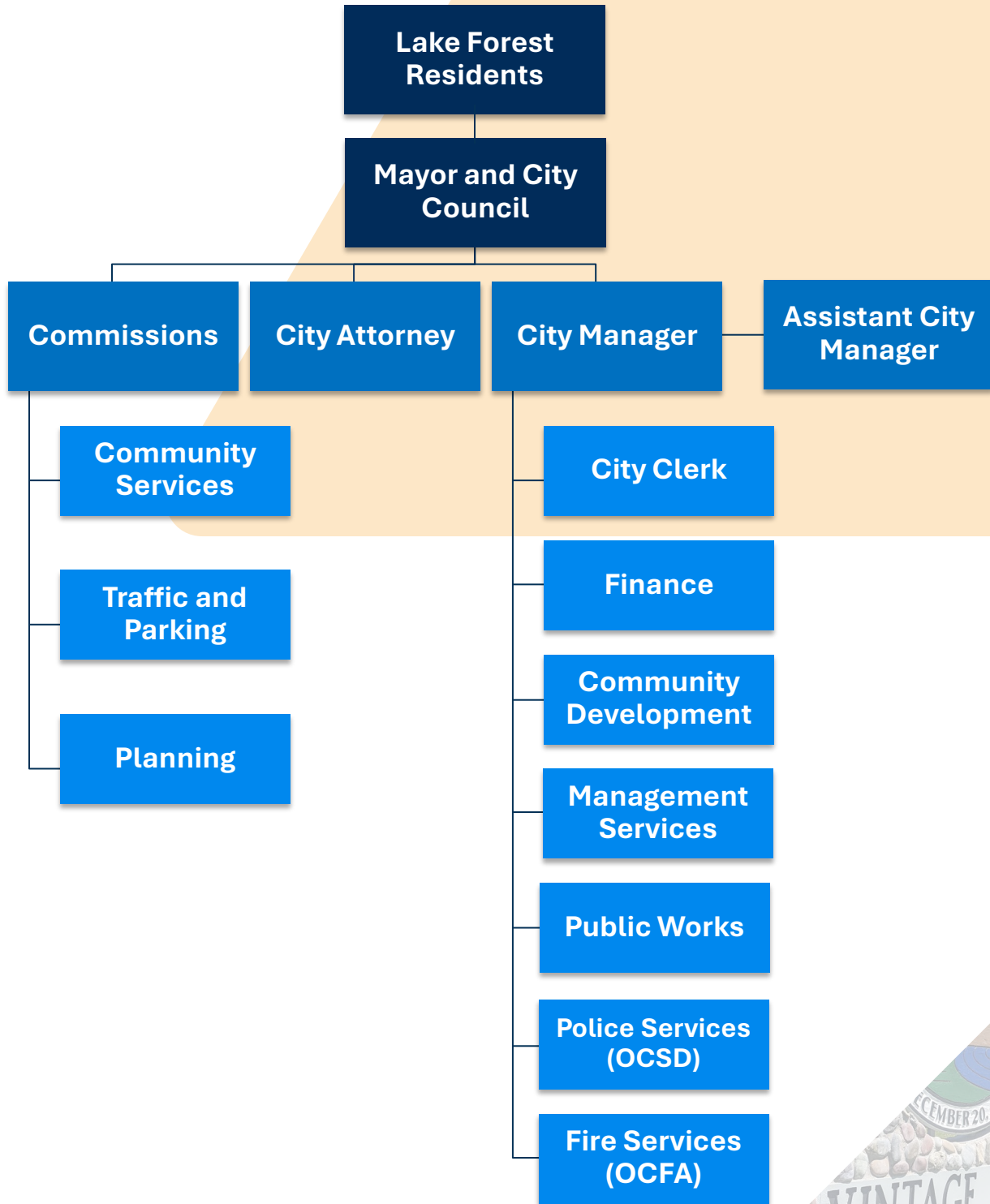
Thank you for taking the time to explore Lake Forest's financial story!

ACFR

For the City's FY 2023-24 audited financial statements, visit the ACFR on the City's website at lakeforestca.gov/budget



Organizational Chart



Your City Council



**Mayor
Mark Tettermer**

**Elected:
November 2022**
**Term Expires:
November 2026**
**Represents:
District 4**



**Mayor Pro Tem
Scott Voigts**

**Elected:
November 2022**
**Term Expires:
November 2026**
**Represents:
District 3**



**Council Member
Doug Cirbo**

**Elected:
November 2020**
**Term Expires:
November 2024**
**Represents:
District 1**



**Council Member
Robert Pequeño**

**Elected:
November 2020**
**Term Expires:
November 2024**
**Represents:
District 5**



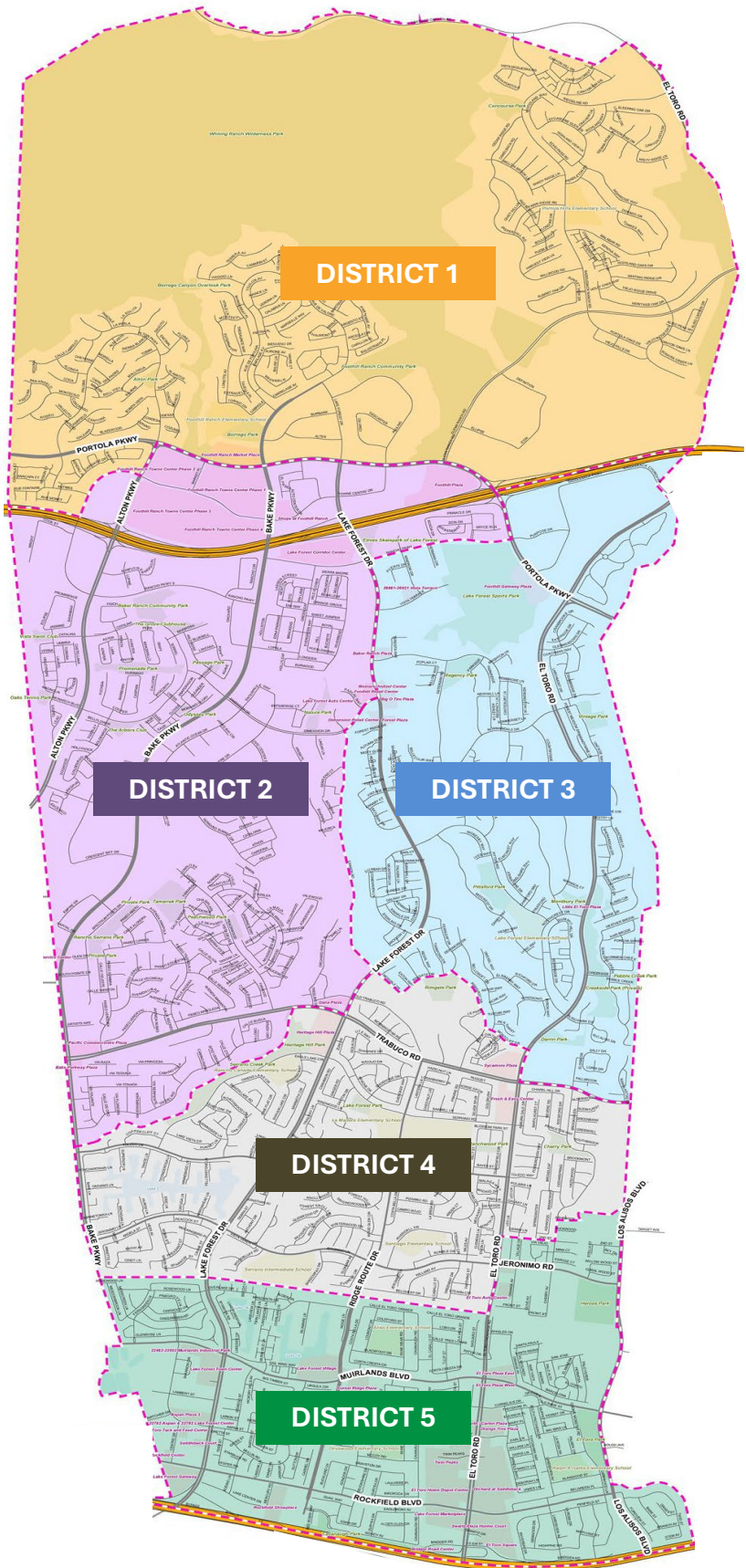
**Council Member
Benjamin Yu**

**Elected:
November 2022**
**Term Expires:
November 2026**
**Represents:
District 2**

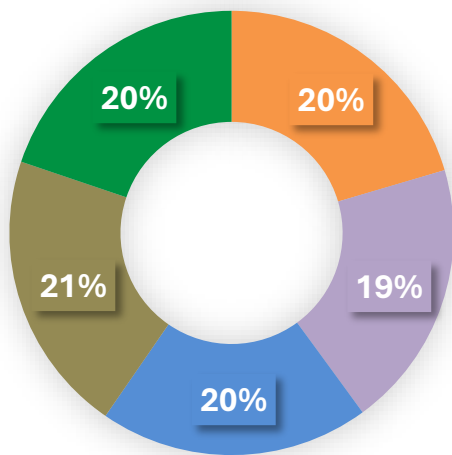
City Profile

Lake Forest was incorporated on December 20, 1991, as Orange County's 31st city and the second largest within the Saddleback Valley.

Lake Forest features 31 public parks, including the 1,500-acre Whiting Ranch Wilderness Park. Our vibrant community spirit is a balanced mix of residential, commercial, and industrial development. It's no wonder Lake Forest is the natural choice for business.



Population by District



- District 1
- District 2
- District 3
- District 4
- District 5



Lake Forest by the Numbers



87,127 people



29,335 households



16.6 square miles



204 miles of road



\$108,331 median household income



\$84,555 median disposable income



4,483 businesses



40,381 jobs



3.5% unemployment rate



38.4 median age



31 parks



5 community centers



17,753 trees



1,252 facility rentals



1,147 recreation classes



4,555 traffic signals



3,559 streetlights



28,367 answered calls for service

About the City



Government

The City of Lake Forest operates under the **council-manager** form of government. Members of the City Council are elected to four-year terms, and each Councilmember represents one of the five geographic City districts. The City Council selects the Mayor and Mayor Pro Tem annually.

During odd-numbered fiscal years (July 1 to June 30), the City adopts a seven-year **strategic business plan**, **capital improvement plan**, and a **financial forecast**. Additionally, the City develops a **master financial plan** and approves a balanced two-year **operating budget** to guide its fiscal priorities.

Budget

The City's **budget** outlines how it allocates resources to meet community needs and serves as the foundation for the City's financial planning and control. It details **revenue** from taxes, fees, and grants and funds expenses like public safety, infrastructure, and other community services, aiming to balance priorities and **fiscal responsibility**. The budget is usually divided into categories like **revenues**, **expenses**, and **specific funds** for various programs.

Finance Department

The **Finance Department** is tasked with implementing the **master financial plan**, focusing on **fiduciary responsibility** by overseeing the City's **financial planning and budget**, **accounting and payroll**, **treasury**, and **purchasing**. The operating budget is **organized by program area** to clearly and effectively communicate the City's service and spending priorities.

FY 2023-24 Budget

\$210.6 M

Assets Under Management

\$84.6 M

Total Revenues

\$74.2 M

Total Expenses



Financial Planning



The City’s **financial planning** is comprised of several governing documents that collectively oversee the City’s financial management. The **budget** is a collaborative undertaking led by the **City Manager** that requires insights from the **community**, valuable input from our **dedicated elected officials**, and the **City’s leadership team** and staff to make Lake Forest **the best place to live, work, play, visit, and do business**.



Strategic Business Plan

- The **Strategic Business Plan** establishes a clear mission and vision to guide Lake Forest over the next seven years, focusing on the City’s primary long-range goals:
 - ✓ A livable city that is well-planned, attractive, and safe.
 - ✓ A city that is engaged, informed, and technologically current.
 - ✓ A city government that is fiscally sustainable and well-run with committed staff.



Capital Improvement Plan

- **Capital Improvement Projects (CIP)** are a major part of maintaining the excellent quality of life Lake Forest residents enjoy.
- These projects and programs focus on several areas, including water quality, landscaping, parks, streets, streetscapes, and City facilities.
- Projects and programs move through a life cycle of planning, implementation, and completion.



Operating Budget

- The **Operating Budget** is a “program-based” budget that incorporates our Strategic Plan initiatives into easily viewable cost areas for budgeting and evaluating purposes making it easier to track the impact of programs.
- Budget focuses on program specific areas rather than a Department as a whole.
- Serves as a financial management and planning tool for City staff to guide in spending decisions.



Master Financial Plan (MFP), Financial Forecast, and Risk Reserve Analysis

- The **MFP** projects revenues and expenditures to ensure General Fund revenues support current operating programs and services.
- The **Financial Forecast** maintains a balanced budget with a surplus for one-time projects, capital needs, and maintaining the target reserve level based on the Risk Reserve Analysis.
- The **Risk Reserve Analysis** evaluates risks to determine reserve levels needed to protect the organization from uncertainty and potential losses.

Fiscal Year 2023-24 Accomplishments and Initiatives

Strategic Economic Investment Project

- Allocated over \$8 million in economic support funds to businesses impacted by COVID-19.
- Launched the Community Gift Card Program, doubling the value of gift cards purchased for use at local businesses.

Capital Improvement Plan

- Proposed new capital projects totaling \$22 million for 2023-25.
- Added two mid-cycle projects with a budget of \$685,000.
- Continued work on 34 ongoing projects worth \$13.5 million, including safety enhancements, traffic flow improvements, and facility upgrades.

Enhanced Waste Management Efficiency

- Secured a solid waste contract with CR&R Incorporated, enhancing services and reducing costs.

Engaging the Community

- Launched a new website with translation features.
- Held the first Youth in Government Day at El Toro High School.
- Expanded pickleball offerings.

Public Infrastructure Improvements

- Completed park improvements at Rancho Serrano, Arbor Mini Park, Portola Center Park, Regency Park, Sundowner Park, and Vintage Park.
- Completed traffic improvements at the intersection of El Toro & Portola and along Los Alisos Boulevard.
- Advanced six Lake Forest Transportation Mitigation projects and three Foothill Circulation Phasing Plan projects.

Public Safety

- Continued Neighborhood Watch and crime prevention programs.
- Graduated Community Emergency Response Team members who are now training new recruits.
- Maintained low crime rates with the Orange County Sheriff's Department.

Responding to State Mandates

- Certified the Housing Element by the State Department of Housing and Community Development.
- Opened Mountain View, the third affordable housing community from the Opportunities Study.
- Implemented mixed-use zoning standards.

Awards and Acknowledgments

- **ACC-OC Golden Hub of Innovation Award:** For the Strategic Economic Investment Program.
- **ASCE-OC 2023 Outstanding Parks & Recreation Project Award:** For Neighborhood Park Renovations at Vintage Park.
- **GFOA Certificate of Achievement for Excellence in Financial Reporting:** Awarded for the 29th consecutive year for the City's comprehensive annual financial report.



Fund Accounting

The City's **budget** and **accounting records** are tracked using **funds**. **Fund accounting** allows the City to track a variety of different revenue sources separately to stay accountable to stakeholders and the public at-large.



General Fund

The **General Fund** is used to pay for infrastructure maintenance, public safety, community services, and other general city operations and services. These funds include taxes, developer contributions, charges for services, and licenses and permit fees.



Special Revenue Funds

Special Revenue Funds are used to track streams of money that are designated for specific purposes, such as grants from the State or County. These funds include gas tax, and Measure M2, and other grants.



Capital Projects Funds

Capital Projects Funds are used to track streams of revenue designated for the construction of capital projects. These funds include city facilities improvements, traffic mitigation and improvement, park development, and affordable housing.



Programs

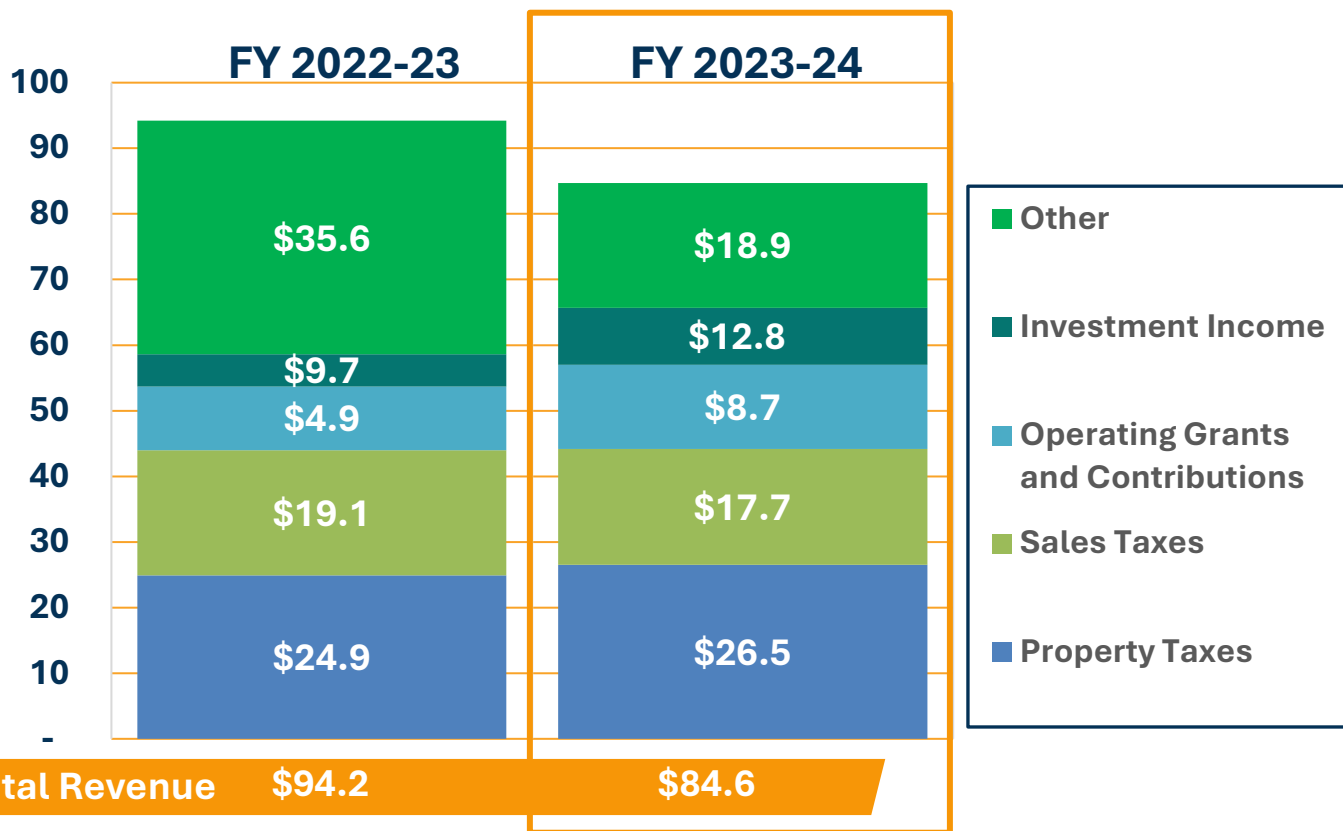
The City of Lake Forest prepares a "program" budget. The **program budget** organizes functions by program area and assists in clearly and effectively communicating the city's service and spending priorities. Programs are organized into nine **program areas** that identify major services provided by the City:



Where the money comes from

Revenues from governmental activities encompass all general-purpose revenues, as well as the program-specific revenues, that allow the City to carry out its primary functions. More than 75% of revenues are generated from the Top Four revenue sources: Property Taxes, Sales Taxes, Operating Grants & Contributions, and Investment Income.

Top Revenue Sources (in millions)



FY 2023-24 Revenues by Percentage of Total Revenues (\$84.6M)



Where the money

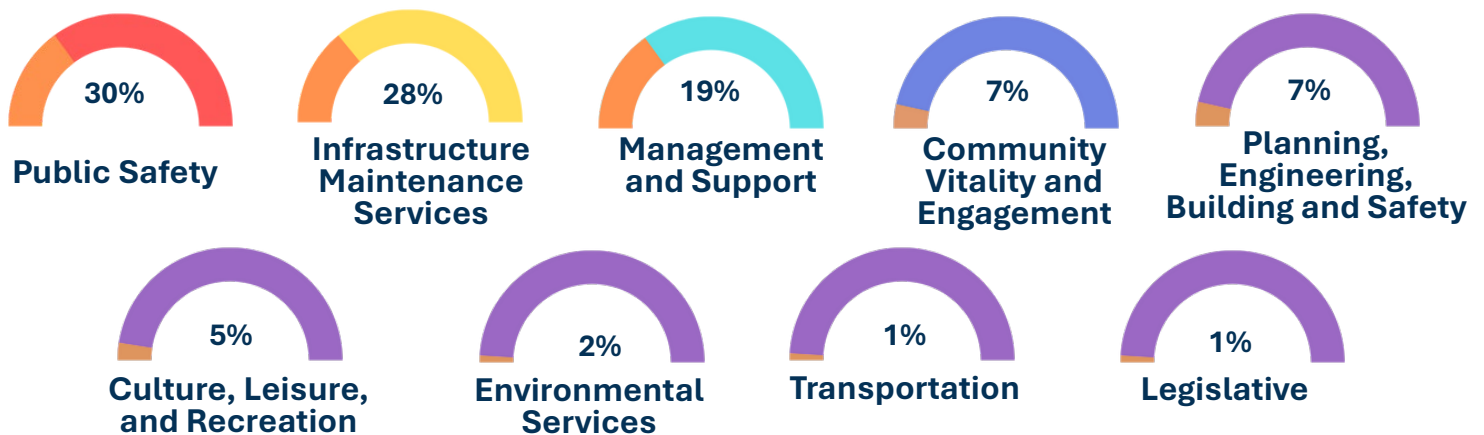
goes

The City's **strategic investments** and **prudent spending** are essential to its **financial sustainability** and **transparency**. Expenses are organized by **Program Area**. More than **80%** of the City's expenses come from the **Top Four program areas**: Public Safety, Infrastructure Maintenance Services, Management and Support, and Community Vitality and Engagement.

FY 2023-24 Top Expenses (Total Expenses: \$74.2M)



All Program Areas by Percentage of Total Expenses (\$74.2M)



Statement of Net Position



The City’s **Statement of Net Position** provides a snapshot of the City’s financial position at a specific point in time. It lists everything the City owns (**assets**) and everything it owes (**liabilities**). The difference between these two, called **net position**, represents the City’s overall financial value or “net worth.”

(in millions)	FY 2022-23	FY 2023-2024
Total Assets	\$560.3	\$568.2
Total Deferred Outflows of Resources	\$5.5	\$8.4
Total Liabilities	\$11.9	\$12.2
Total Deferred Inflows of Resources	\$1.2	\$1.4
Total Net Position	\$552.7	\$563.0

Statement of Activities



The **Statement of Activities** serves as the City’s financial report card, explaining how the City arrived at its financial snapshot by summarizing total revenues and expenses for the fiscal year. The **net difference** between **revenues** and **expenses**, whether positive or negative, represents the City’s **change in net position** for the year, effectively serving as the City’s “bottom line.”

(in millions)	FY 2022-23	FY 2023-24
Revenues	\$94.2	\$84.6
Expenses	\$74.0	\$74.2
Changes in Net Position	\$20.2	\$10.4

In FY 2023-24, the City saw a decrease in revenues compared to the previous fiscal year, but successfully achieved a positive change in Net Position.

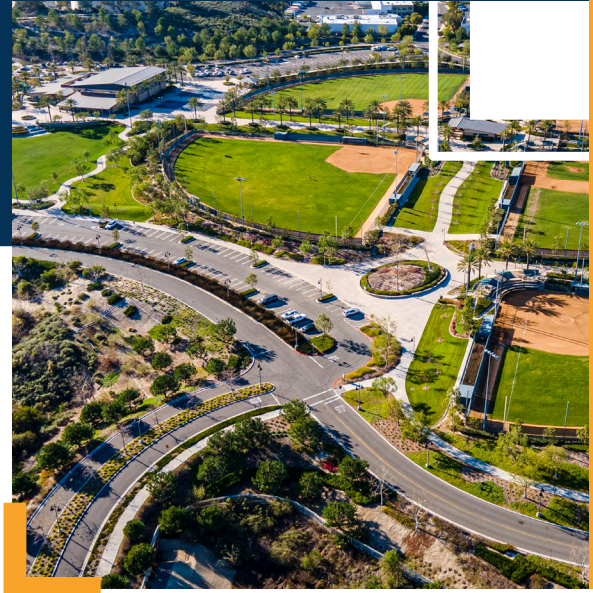
(in millions)	FY 2022-23	FY 2023-2024
Beginning Net Position	\$532.5	\$552.7
Ending Net Position	\$552.7	\$563.0



What the City Owns

Assets and Investments

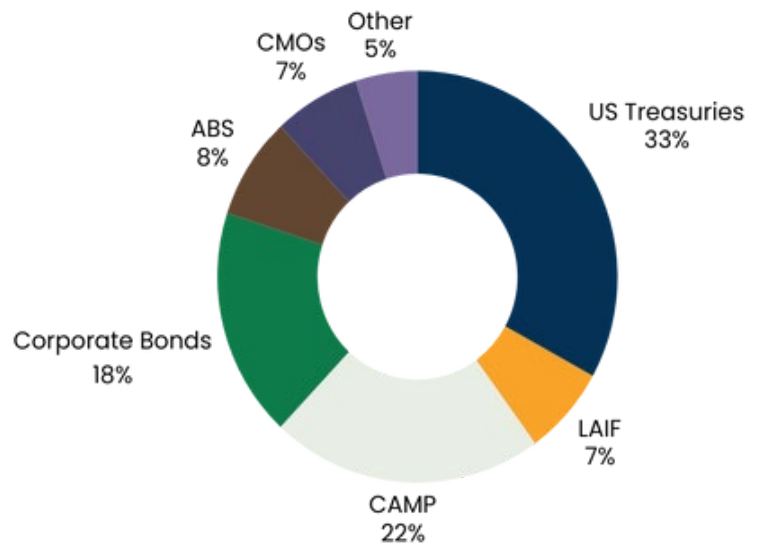
The City **owns** a variety of **capital assets** maintained for the **benefit of the public**. This includes **parks, buildings and improvements** such as the Civic Center and Sports Park, and roads and parkways. Over time, the value of these assets decreases due to age, which is reflected in the chart below showing the **net value** by category.



Capital Assets Net of Depreciation

(in millions)	FY 2022-23	FY 2023-24
Land	\$120.6	\$120.7
Construction in Progress	\$5.9	\$3.1
Building and Improvements	\$86.1	\$82.2
Improvements other than Buildings	\$26.9	\$28.0
Machinery and Equipment	\$0.1	\$0.1
Infrastructure	\$108.9	\$105.9
Lease Assets and SBITAs	\$0.4	\$0.6
Total Net Value	\$348.9	\$340.6

Investments FY 2023-24

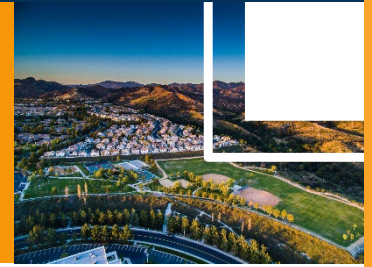


The above chart summarizes the City's **investments** in FY 2023-24. The City invests funds pursuant to a policy approved by the City Council that follows California investment guidelines. The City's investments performed well during the reported fiscal year, thanks to higher interest rates that boosted returns in the fixed-income market.

FY 2023-24 Total Investments = \$210.6 Million

What the City Owes

Long-Term Liabilities



The City has not had any outstanding debt obligations, such as bonds, since 2018. However, the City does have other types of long-term liabilities that are reported on the Statement of Net Position.

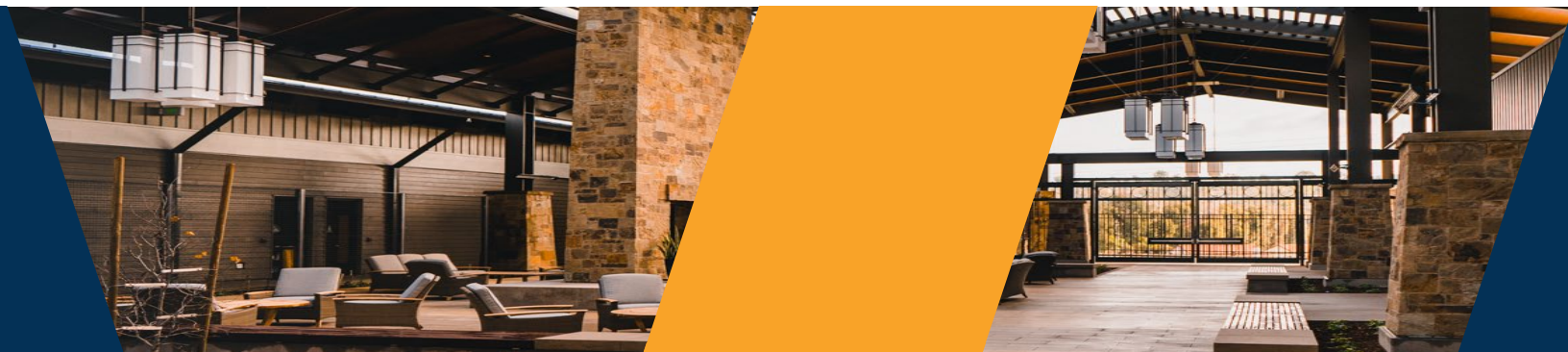
(in millions)	FY 2022-23	FY 2023-24
Compensated Absences	\$1.1	\$1.2
Lease Liabilities	<\$0.1	<\$0.1
Subscription-Based IT Arrangements	\$0.5	\$0.3
Net Pension Liability	\$2.2	\$3.3

Compensated Absences: The amount of money owed to employees for accumulated leave balances (paid vacation and sick time).

Lease Liabilities: The amount of money owed to vendors for future lease payments under non-cancellable agreements.

Subscription-Based IT Arrangements: The amount of money owed for future subscription payments related to major software programs the City uses under non-cancellable agreements.

Net Pension Liability: The amount of money the City owes to CalPERS, California's pension system, for its share of pension costs. The amount is calculated using historical data, estimates, and long-term projections. To save on interest, the City Council has chosen to pay down this debt early, including a payment made in 2024, which will impact future contributions.



Financial Future

Risk Reserve Analysis

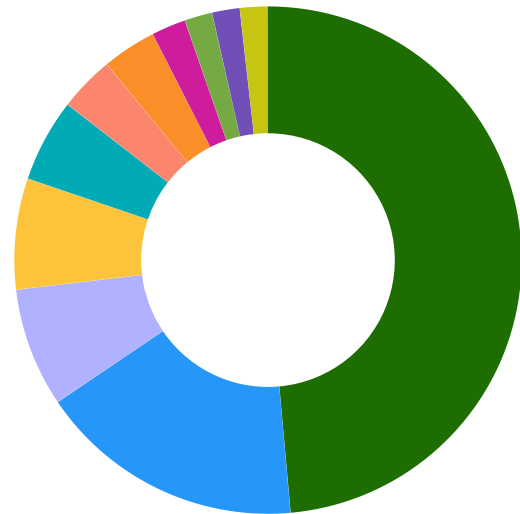
The City's **biennial budget** reflects a balanced and forward-thinking approach to managing our community's finances. With a **focus on driving strong revenues**, increased local spending at restaurants, stores, and hotels has contributed to **rising sales and hotel taxes**, keeping our **financial outlook stable**.

The City faces **challenges** such as rising costs for **police services, maintaining streets and parks**, and supporting **growing neighborhoods**. Over the past decade, investments in **new parks**, expanded **neighborhoods**, and **traffic improvements** have contributed to higher expenses. To address these challenges and ensure long-term stability, the City follows a **Reserve Policy** that includes **maintaining sufficient reserves** to handle emergencies, economic downturns, and unforeseen costs.

A key part of this policy is the **Risk Reserve Analysis**, which evaluates potential financial risks like revenue fluctuations and unexpected expenses. This analysis ensures the City is **prepared to protect essential services** and **maintain financial health**, even in uncertain times.

With a combination of **strong fiscal planning, diverse local businesses**, and **strategic investments**, the City is building a **secure and sustainable financial future** for all residents.

Risk Reserve Funds



Capital Projects – Infrastructure & Replacement	\$27.5M
Revenue Source Stability	\$9.6M
Other Fund Dependency – Annual	\$4.3M
Expenditure Volatility	\$4M
Leverage – Pension Unfunded Liabilities	\$3M
Growth	\$2M
Vulnerability to Extreme Events – Disaster	\$1.95M
Leverage – Other Unfunded Liabilities	\$1.25M
Vulnerability to Extreme Events – Political	\$1M
Vulnerability to Extreme Events – Legal	\$1M
Other Fund Dependency – Short Term	\$1M
Leverage – Debt Service	\$0M

As of the biennial 2023-2025 Operating Budget, the City's unassigned fund balance in the General Fund of \$110.1 million exceeded the Target Reserve Level of the Risk Based Reserve Policy of \$56.6M.



Glossary

ACFR: The Annual Comprehensive Financial Report produced by the City annually which contains audited financial statements for the previous fiscal year.

ASSETS: What the City owns.

BOND: A borrowing tool (debt financing) that allows the City to raise money that then needs to be paid back by a specific date at a defined interest rate. Bonds are usually used to finance large-scale capital projects.

BUDGET: A financial plan adopted by the City Council for a particular period of time (usually by fiscal year) that shows projected revenues and planned expenses. They typically take on two forms: Operating and Capital Improvement.

CAPITAL ASSETS: Long-term expenses such as land, buildings and improvements, machinery and equipment, vehicles, and other forms of infrastructure. Capital assets have a value over a certain threshold, an estimated useful life of over one year, and are often depreciated.

COUNCIL-MANAGER GOVERNMENT: A form of local government where an elected council makes decisions and sets policies, while a professional city manager, hired by the council, handles the daily operations and implements the council's decisions.

DEFERRED INFLOWS OF RESOURCES: An acquisition of net assets that is applicable to a future reporting period.

DEFERRED OUTFLOWS OF RESOURCES: A consumption of net assets that is applicable to a future reporting period.

FIDUCIARY RESPONSIBILITY: The duty to act in the best interest of the community when managing public finances.

FINANCIAL POSITION: A broad term used to describe the City's available resources as a whole, similar to net position.

FISCAL YEAR: The time period between July 1st and June 30th that defines the City's accounting year for financial purposes.

FUND: An accounting tool used to separately track specific resources designated for specific activities. Examples include Special Revenue Funds, Capital Projects Funds, and the General Fund.

GAAP ACCOUNTING: A standard set of rules that organizations use to ensure their financial reports are easy to understand, accurate, and consistent. These rules guide how businesses and governments record and share financial information.

GOVERNMENTAL ACTIVITIES: Activities that are financed primarily through taxes and intergovernmental revenues such as public safety, infrastructure maintenance, culture, leisure, and recreation, and other general government functions.

LIABILITIES: What the City owes, both over the short-term and long-term.

NET POSITION: Difference between assets and liabilities.

OPERATING GRANTS & CONTRIBUTIONS: Both voluntary and mandatory sums of money received by the City that are restricted to a specific program and used for operating expenses.

PAFR: The Popular Annual Financial Report designed to communicate the City's financial position in a straightforward manner compared to the ACFR.

Stay Connected!



Follow @LakeForestCA on:



The Finance Department is dedicated to supporting the City Council's priorities and providing clear, transparent updates on the City's financial activities. We hope this report has given you a helpful overview of the City's finances. Questions regarding any of the information provided in this PAFR or any request for additional information should be addressed to:



by mail: City of Lake Forest, Finance Department
100 Civic Center Drive
Lake Forest, CA 92630

by phone: 949-461-3400

by email: accounting@lakeforestca.gov

website: lakeforestca.gov/departments/finance