



Comprehensive
Annual
Financial
Report

Year Ended June 30, 2012

“THE CITY OF LAKE ELSINORE WILL BE THE ULTIMATE LAKE DESTINATION WHERE ALL CAN LIVE, WORK, AND PLAY, BUILD FUTURES AND FULFILL DREAMS...”

CITY OF LAKE ELSINORE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE YEAR ENDED JUNE 30, 2012

Prepared By: Department of Administrative Services

CITY OF LAKE ELSINORE, CALIFORNIA

TABLE OF CONTENTS

For the year ended June 30, 2012

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i - v
Organization Chart	vi
Directory of Officials	vii
FINANCIAL SECTION:	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 14
Basic Financial Statements:	15
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18 - 19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22 - 23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Fiduciary Funds:	
Statement of Fiduciary Net Assets	25
Statement of Change in Fiduciary Net Assets	26
Notes to Basic Financial Statements	27 - 98
Required Supplementary Information:	99
Schedule of Funding Progress	100
Budgetary Comparison Schedule:	
General Fund	101
Note to Required Supplementary Information	102

CITY OF LAKE ELSINORE, CALIFORNIA

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Supplementary Information:	103
Other Governmental Funds:	105
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	107
Other Special Revenue Funds:	108 - 109
Combining Balance Sheet	110 - 113
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114 - 117
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Supplemental Law Enforcement Service Special Revenue Fund	118
Justice Assistance Grant Program Special Revenue Fund	119
Office of Traffic and Safety Special Revenue Fund	120
Traffic Offender Special Revenue Fund	121
Gas Tax Special Revenue Fund	122
Transportation - Measure A Special Revenue Fund	123
Traffic Safety Special Revenue Fund	124
City-Wide Lighting and Landscaping Special Revenue Fund	125
L.L.M.D. No. 1 Special Revenue Fund	126
Geothermal Special Revenue Fund	127
AB 2766 Air Pollution Special Revenue Fund	128
C.D.B.G. Special Revenue Fund	129
Developer Agreement Revenue/Trust Special Revenue Fund	130
Affordable Housing In Lieu Special Revenue Fund	131
City Hall/Public Works Special Revenue Fund	132
Community Center Special Revenue Fund	133
Lake Side Facilities Special Revenue Fund	134
Animal Shelter Special Revenue Fund	135
Camino Del Norte Special Revenue Fund	136
Miscellaneous Grants Special Revenue Fund	137
N.P.D.E.S. Special Revenue Fund	138
PEG Grant Special Revenue Fund	139

CITY OF LAKE ELSINORE, CALIFORNIA

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Supplementary Information (Continued):	
Other Capital Projects Funds:	141
Combining Balance Sheet	142 - 143
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	144 - 145
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Miscellaneous General Project Capital Projects Fund	146
Park Improvement and Development Capital Projects Fund	147
Street Capital Improvements Capital Projects Fund	148
Storm Drain Capital Projects Fund	149
Library Capital Improvement Capital Projects Fund	150
Signalization Improvement Capital Projects Fund	151
Traffic Improvements Capital Projects Fund	152
City Fire Protection Capital Projects Fund	153
Public Improvement In-Lieu Capital Projects Fund	154
TUMF Capital Projects Fund	155
Boat Launch Capital Projects Fund	156
Assessment Districts Capital Projects Fund	157
Permanent Fund:	159
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Endowment Trust Permanent Fund	160
Agency Funds:	161
Combining Statement of Assets and Liabilities	162
Combining Statement of Changes in Assets and Liabilities	163 - 164
Capital Assets:	165
Capital Assets Used in the Operation of Governmental Funds Schedule by Source	166

CITY OF LAKE ELSINORE, CALIFORNIA

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	<u>Page Number</u>
STATISTICAL SECTION:	
Description of Statistical Section Contents	167
Financial Trends:	
Net Assets by Component - Last Ten Fiscal Years	168 - 169
Changes in Net Assets - Expenses and Program Revenues - Last Ten Fiscal Years	170 - 171
Changes in Net Assets - General Revenues - Last Ten Fiscal Years	172 - 173
Fund Balances of Governmental Funds - Last Ten Fiscal Years	174 - 175
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	176 - 177
Revenue Capacity:	
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	179
Principal Property Taxpayers - Current Year and Nine Years Ago	180
Property Tax Levies and Collections - Last Ten Fiscal Years	181
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	182 - 183
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	184 - 185
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	186
Direct and Overlapping Debt	187
Legal Debt Margin Information - Last Ten Fiscal Years	188 - 189
Pledged Revenue Coverage - Last Ten Fiscal Years	190
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	191
Principal Employers - Current Year and Nine Years Ago	192
Operating Information:	
Full-Time and Part-Time City Employees by Function - Last Ten Fiscal Years	193
Operating Indicators by Function - Last Ten Fiscal Years	194 - 195
Capital Asset Statistics by Function - Last Ten Fiscal Years	196

INTRODUCTORY SECTION



March 27, 2013

Honorable Mayor and City Council
Lake Elsinore, California

Submitted for your information and consideration is the June 30, 2012 Comprehensive Annual Financial Report for the City of Lake Elsinore, California. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial activity of its various funds; and that all disclosure necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The significant accounting policies of the City are described in the notes to the financial statements. These accounting policies have been reviewed by the City's independent certified public accountants and are in conformance with the recommendations of the Governmental Accounting Standards Board.

The City's Financial Statements have been examined by our independent auditors, White Nelson Diehl Evans, LLP.

The Financial Reporting Entity

For financial reporting purposes, in conformance with the criteria of Governmental Accounting Standard Board "Defining the Governmental Reporting Entity", this report includes the operating statements and statements of financial position of the City of Lake Elsinore, the Lake Elsinore Redevelopment Agency for the seven months ended January 31, 2012, the Lake Elsinore Public Financing Authority and the Lake Elsinore Recreation Authority. While each is a separate legal entity, the City Council, acting as Council and Board of Directors, exercises oversight responsibility for each. Each was organized for the benefit of the City and its residents and conducts all activity within its boundaries. They are therefore shown as blended Component Units. The Redevelopment Agency is reported as a Special Revenue Fund, a Debt Service Fund and a Capital Project Fund. The Public Financing Authority is reported as a Debt Service Fund. The Recreation Authority is reported as a Debt Service Fund.

Honorable Mayor and City Council
March 27, 2013

Services Provided

The City provides a wide range of municipal services for its citizens, including police, fire services, parks, community services, planning and development, street lights and improvements and general administration. Police and fire services are contracted through the County of Riverside.

Reporting Standards

For reporting purposes, the City has adopted the provisions of Statement No. 1 of the Governmental Accounting Standards Board (GASB), which established the authoritative status of the pronouncements of its predecessor, the National Council on Governmental Accounting (NCGA), and of the accounting and financial reporting guidance contained in the Industry Audit Guide, Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants. Through widespread acceptance, pronouncements of the NCGA, GASB and the AICPA through its Industry Audit Guide, have long been acknowledged as the primary authoritative statements of GAAP applicable to state and local government.

Financial Statement Format

This report is organized into three sections: introductory, financial and statistical.

The introductory section includes a table of contents, this transmittal letter, the City's principal officers and its table of organization.

The financial section includes: (1) the Auditors' Report, (2) the MD&A which is intended to disclose any known significant events or decisions that affect the financial condition of the City, (3) the basic financial statements comprised of government-wide financial statements and fund financial statements which provide an overview of the City's financial position and result of operations, along with "notes" developed to ensure full disclosure and fair presentation, (4) required supplementary information and (5) combining and individual fund financial statements and schedules designed to present detailed information on individual funds, to demonstrate compliance with finance-related legal and contractual requirements and to assure adequate disclosure at the individual fund entity level.

The statistical section, which is unaudited, provides financial data usually covering more than two years and other non-accounting data. The tables reflect financial trends, revenue capacity, debt capacity, demographics, and operating information of the City government.

Honorable Mayor and City Council
March 27, 2013

Fund Descriptions

The various fund types used by the City and included in this report are as follows:

<u>Fund Category</u>	<u>Fund Type</u>
Governmental Funds	General Fund Special Revenue Funds Debt Service Funds Capital Project Funds
Fiduciary Funds	Agency Funds

A description of these funds is included in the "Notes to the Financial Statements".

Budgetary Control and Accounting Basis

Budgetary control is maintained at the departmental level. To facilitate reporting, budgetary control is maintained through computer-generated reports of the financial transactions of all City funds. These reports allow for timely review and continuous assessment of the City's financial condition. Capital Project expenditures are controlled at the project level.

The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and various Boards. Budgets are adopted for the General Fund, Special Revenue Funds and certain Capital Project Funds. The level of budgetary control is maintained at the expenditure object level for fixed assets. Schedules of acquisitions of fixed assets at a cost of \$5,000 or more and infrastructure at a cost of \$50,000 or more are included.

Encumbrance accounting is utilized to assure effective budgetary control; purchase orders and contracts are reviewed and a determination is made that valid and sufficient appropriations exist for payment for ordered goods and services. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end, and encumbrances outstanding at that time are reported as a reserve of fund balance for subsequent year expenditures.

In developing and modifying the City's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets and the reliability of financial records and maintaining accountability of assets.

The concept of reasonable assurance recognizes that the cost of control should not exceed its benefits. The evaluation of this cost benefit relationship rests with management.

All internal control evaluations occur within the bounds as described. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Honorable Mayor and City Council
March 27, 2013

General Government Operations

Revenue for the governmental fund types totaled \$54.3 million for fiscal year 2011-12. This was a decrease of \$9.7 million or 15.1% from the 2010-11 fiscal year. The primary explanation for this decrease is related to the dissolution of the Lake Elsinore Redevelopment Agency in January 2012.

The City elected to serve as the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore on January 24, 2012. The activity of the former Lake Elsinore Redevelopment through January 31, 2012 is reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the former Redevelopment Agency were transferred to, and are reported in a special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the former Redevelopment Agency were transferred to, and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Expenditures for governmental purposes totaled \$62.8 million for fiscal year 2011-12. This was a decrease of \$17.7 million or 22.0% from fiscal year 2010-11. As noted above under revenues, the primary explanation for this decrease is related to the dissolution of the Lake Elsinore Redevelopment Agency in January 2012.

Cash Management

Cash temporarily idle during the year was invested in State Local Agency Investment Fund and Government-backed securities throughout the year.

The City's investment policy continues to rely on safety and liquidity as primary concerns.

Risk Management

The City is a member of the Southern California Joint Powers Insurance Authority which provides coverage for liability, facility and automobile protection and workers compensation. The Authority utilizes a staff of risk managers to assist member agencies in all aspects of coverage and safety issues.

Debt Administration

The City of Lake Elsinore, not including the component units, has no outstanding bond debt as of June 30, 2012.

The City's Financing Authority, a joint powers authority between the City and Redevelopment Agency, was put in place to provide an economical and cost effective pool of funds to acquire authorized local public obligations.

Certain bonds issued and sold through the Financing Authority were authorized under the Marks-

Honorable Mayor and City Council
March 27, 2013

Roos Local Bond Pooling Act of 1985.

Major Initiatives for the Year and Prospects for the Future

The City Council's budgetary and legislative priorities continue to be public safety and transportation.

Given the City Council's dedication to quality of life, while being committed to preserving our heritage and improving public safety, the City of Lake Elsinore is a place to dream extreme.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The firm of White Nelson Diehl Evans, LLP was selected by the City Council and has just finished their seventh year. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

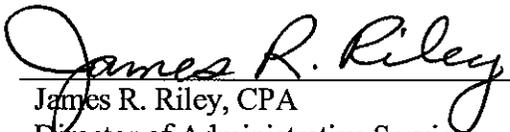
Acknowledgments

We wish to express appreciation to all Finance Division staff for their contribution to the department during this fiscal year. Their efforts are reflected in this report and in other documents resulting from the annual financial management process.

The Mayor, members of the City Council and Management are to be commended for their interest and support in conducting financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

CITY OF LAKE ELSINORE

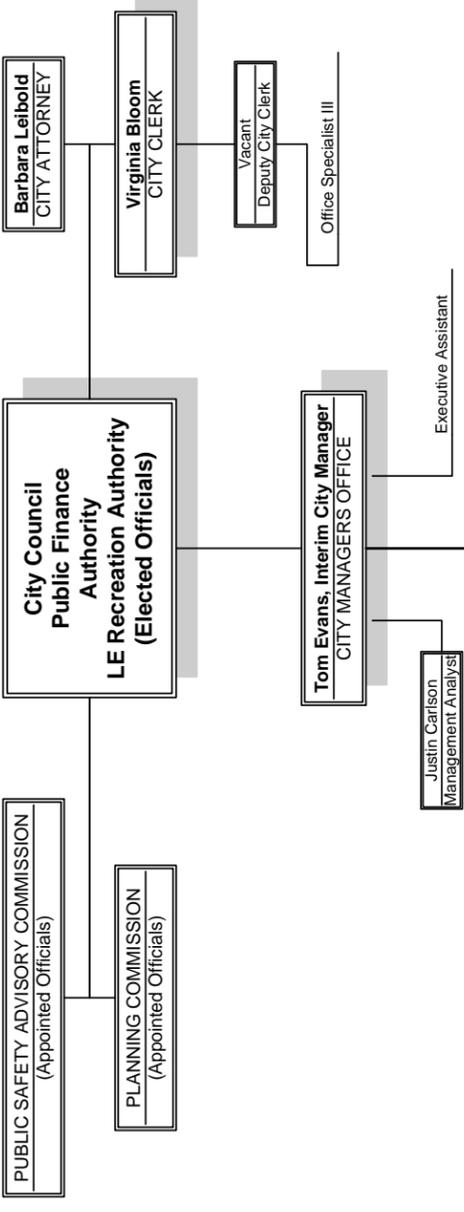

James R. Riley, CPA
Director of Administrative Services



City of Lake Elsinore 2011-2012 City-Wide Organizational Chart June 30, 2012

Planning Commission

Richard Morsch, Chairman
Michael O'Neal, Vice-Chair
David Blake
John Gray
Shelly Jordan

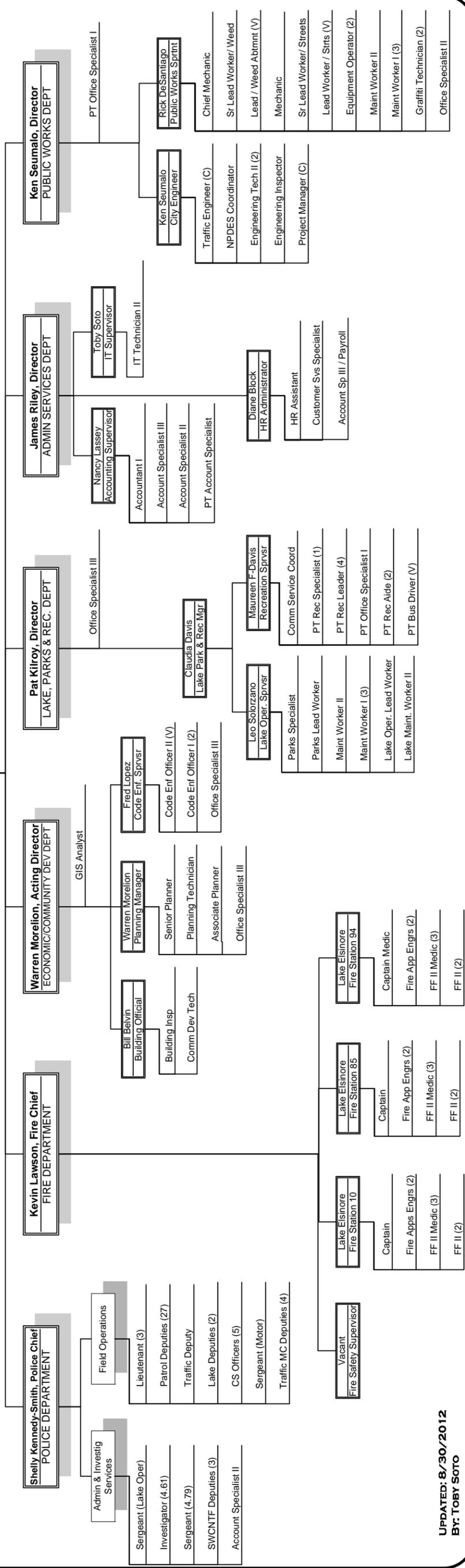


City Council
Brian Tisdale, Mayor
Daryl Hickman, Mayor Pro Tem
Robert E. Magee
Melissa A. Melendez
Peter Weber

Public Safety Advisory Commission

Mike Norkin, Chairman
Dennis Stewart, Vice-Chair
Renee Cummings
Elizabeth Dana
Marney Fairchild

City Treasurer (Elected)
Allen Baldwin



UPDATED: 8/30/2012
BY: TOBY SOTO

CITY OF LAKE ELSINORE
DIRECTORY OF OFFICIALS*
June 30, 2012

ELECTED OFFICIALS

Brian Tisdale	Mayor
Daryl Hickman	Mayor Pro Tem
Robert E. Magee	Councilmember
Melissa A. Melendez	Councilmember
Peter Weber	Councilmember
Allen Baldwin	Treasurer

ADMINISTRATION

Thomas Evans	Interim City Manager
Virginia J. Bloom	City Clerk
Barbara Leibold	City Attorney
Pat Kilroy	Director of Lake, Parks & Recreation
James R. Riley	Director of Administrative Services
Ken Seumalo	Director of Public Works
Warren Morelion	Acting Director of Community Development

**At date of issuance*

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Lake Elsinore
Lake Elsinore, California

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 Elsinore, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lake Elsinore's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Elsinore, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 20, the California State Legislature has enacted legislation that provided for the dissolution of redevelopment agencies in the State of California.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the City of Lake Elsinore's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and budgetary comparison schedule, as listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City of Lake Elsinore or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The supplementary 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 of the City or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Diehl Evans LLP

Irvine, California
March 27, 2013

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

As management of the City of Lake Elsinore, we offer readers of the City of Lake Elsinore's financial statements this narrative overview and analysis of the financial activities of the City of Lake Elsinore for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Lake Elsinore exceeded its liabilities at the close of the most recent fiscal year by \$228.1 million (*net assets*).
- The government's total net assets increased by \$62.4 million. This increase was generated by total revenues of governmental activities of \$116.9 million (\$13.7 million in program revenues, \$41.5 million in general revenues, and \$61.7 million in extraordinary gain from the dissolution of the former Lake Elsinore Redevelopment Agency), offset by \$54.5 million in total costs of governmental activities.
- As of June 30, 2012, the City of Lake Elsinore's governmental funds reported combined ending fund balances of \$180.9 million, an increase of \$3.2 million from the prior fiscal year ended June 30, 2011. Approximately \$141.6 million, or 62.1% of total fund balance, are restricted or non-spendable.
- As of June 30, 2012, total unassigned or unrestricted fund balance was reported at \$9.8 million. Approximately \$5.8 million or 59.2% of this amount has been designated for Economic Uncertainty.
- The City of Lake Elsinore's total long-term debt decreased by a net \$65.7 million during the current fiscal year. This decrease was primarily due to the former Redevelopment Agency's debt being transferred to the Successor Agency Trust Fund. The amount of the transfer was \$63.0 million.
- The City of Lake Elsinore recognized an extraordinary gain in the amount of \$61.7 million on its government-wide financial statements. This was a direct result of the dissolution of the former Lake Elsinore Redevelopment Agency as of January 31, 2012. The City elected to serve as the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore on January 24, 2012. The activity of the former Lake Elsinore Redevelopment through January 31, 2012 is reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the former Redevelopment Agency were transferred to, and are reported in a special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the former Redevelopment Agency were transferred to, and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 statement presents information about the functions of the City of Lake Elsinore that is principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Lake Elsinore include general government, public safety, community development, public services and community services.

The government-wide financial statements can be found on pages 16 - 17 of this report.

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

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 funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lake Elsinore maintains various 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, the Redevelopment Agency Special Revenue Fund, the Redevelopment Agency Debt Service Fund, the Public Financing Authority Debt Service Fund, the Assessment Districts Capital Projects Fund and the Redevelopment Agency Capital Projects Fund, which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lake Elsinore adopts an annual appropriated budget for its General Fund, certain Special Revenue and certain Capital Projects Funds. A budgetary comparison statement has been provided for the General Fund and certain Special Revenue Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 - 19 and 22 - 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lake Elsinore's own programs.

The basic fiduciary fund financial statements can be found on pages 25 - 26 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

Notes to the 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 notes to the basic financial statements can be found on pages 27 - 98 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found starting on page 99 of this report. The combining statements referred to earlier in connecting with other governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 103 - 166 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake Elsinore, assets exceeded liabilities by \$228.1 million at the close of the most recent fiscal year.

Condensed Statements of Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 167,729,202	\$ 175,249,935
Capital assets	<u>147,951,102</u>	<u>154,792,875</u>
Total Assets	<u>315,680,304</u>	<u>330,042,810</u>
Liabilities:		
Long-term debt outstanding	79,928,929	145,591,908
Other liabilities	<u>7,679,761</u>	<u>18,819,221</u>
Total Liabilities	<u>87,608,690</u>	<u>164,411,129</u>
Net Assets:		
Invested in capital assets, net of related debt	134,976,102	141,427,875
Restricted	141,619,986	134,777,767
Unrestricted	<u>(48,524,474)</u>	<u>(110,573,961)</u>
Total Net Assets	<u>\$ 228,071,614</u>	<u>\$ 165,631,681</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For the City of Lake Elsinore, 59.2% of the net assets reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Lake Elsinore uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lake Elsinore's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lake Elsinore's net assets, 62.1 %, represents resources that are subject to external restrictions on how they may be used. The deficit balance of approximately (\$48.5) million in *unrestricted net assets* reflects the fact that governmental activities raise resources based on when liabilities are expected to be paid, rather than when they are incurred. Most governments do not have sufficient current resources on hand to cover current and long term liabilities. The deficit in and of itself should not be considered an economic or financial difficulty; however, it does measure how far the City has committed the government's future tax revenues for purposes other than capital acquisition.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Lake Elsinore's total net assets by \$62.4 million. Key elements of this change are as follows:

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

GOVERNMENTAL ACTIVITIES (CONTINUED)

Condensed Statements of Revenues,
Expenses and Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 5,860,759	\$ 6,262,474
Operating grants and contributions	3,306,452	3,292,972
Capital grants and contributions	4,539,293	6,573,426
General Revenues:		
Taxes:		
Property taxes	14,698,032	24,237,023
Sales taxes	7,444,947	7,190,695
Franchise taxes	2,002,550	1,913,807
Other taxes	538,402	483,556
Fines, forfeitures and penalties	1,850,398	972,457
Investment income	8,031,256	7,782,639
Miscellaneous	<u>6,992,813</u>	<u>5,705,412</u>
Total Revenues	<u>55,264,902</u>	<u>64,414,461</u>
Expenses:		
General government	11,944,507	11,079,707
Public safety	11,911,363	11,212,605
Community development	4,989,313	16,060,065
Public services	9,834,764	8,145,956
Community services	7,010,026	4,704,242
Interest on long-term debt	<u>8,835,312</u>	<u>7,674,342</u>
Total Expenses	<u>54,525,285</u>	<u>58,876,917</u>
Change in net assets, before Extraordinary Item	739,617	5,537,544
Extraordinary Item- Gain on Dissolution of Redevelopment Agency	61,700,316	-
Net assets at beginning of year, as restated	<u>165,631,681</u>	<u>160,094,137</u>
Net assets at end of year	<u>\$ 228,071,614</u>	<u>\$ 165,631,681</u>

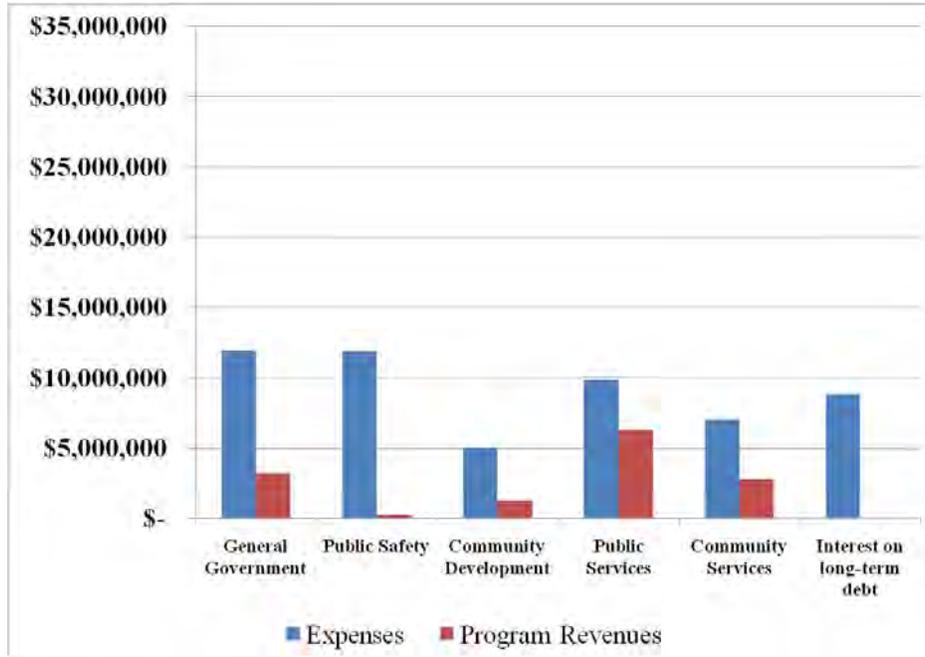
See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

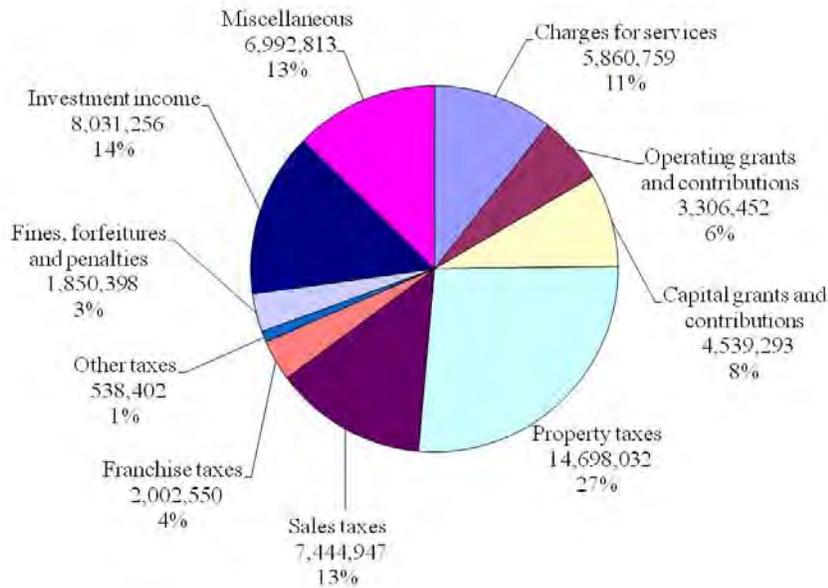
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

Expenses and Program Revenues – Governmental Activities



Revenues by Sources – Governmental Activities



See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the City of Lake Elsinore'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 of Lake Elsinore's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lake Elsinore's governmental funds reported combined ending fund balances of \$180.9 million, an increase of \$3.2 million in comparison with the prior year. Of the \$180.9 million ending fund balance, a net \$9.8 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either *nonspendable*, \$79.2 million; *restricted*, \$79.3 million; or *assigned*, \$12.6 million to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City of Lake Elsinore. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10.8 million, while total fund balance was \$13.3 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 expenditures. Unassigned general fund balance represents 43.8% of total General Fund expenditures, while total fund balance represents 53.9% of that same amount.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The fund balance of the City of Lake Elsinore's General Fund decreased by \$1.5 million during the current fiscal year. Key factors in this decrease are as follows:

- \$1.0 million of non-recurring contributions as transfers out of the General Fund to capital project funds and special revenue funds.
- Transfer in from other funds totaled \$50,000.
- Expenditures were greater than revenues of approximately \$0.5 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget reflects a \$2.0 million net increase in appropriations, including transfers out and can be briefly summarized as follows:

- \$323,755 increase in general government activities
- \$ 63,768 decrease for public safety
- \$126,746 increase in community development
- \$ 29,495 increase in public services
- \$755,288 increase to community services
- \$826,005 increase in transfers out for one-time capital items.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Lake Elsinore's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$148.0 million (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements, machinery and equipment, and infrastructure. The total decrease in the City of Lake Elsinore's investment in capital assets for the current fiscal year was 4% and is primarily due to the transfer of capital assets of the former Lake Elsinore Redevelopment Agency to the Successor Agency fiduciary fund.

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

- Completion of the La Laguna Boat Launch improvements.
- Completion of the Historic Downtown Riverwalk & Nature trail.
- Improvements to the Lake Elsinore Campgrounds.
- Other improvements and maintenance of City-owned streets

Capital Assets at Year-End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 2,926,422	\$ 5,352,814
Construction in progress	12,063,686	2,561,733
Buildings and structures	12,607,406	21,768,556
Improvements other than buildings	3,288,347	3,703,028
Machinery and equipment	590,598	710,419
Furniture and fixtures	167,293	115,583
Automotive equipment	158,739	425,789
Infrastructure	<u>116,148,611</u>	<u>120,154,953</u>
Totals	<u>\$ 147,951,102</u>	<u>\$ 154,792,875</u>

Additional information on the City of Lake Elsinore's capital assets can be found in note 4 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At fiscal year-end, the City had long-term debt of \$79.9 million. These issues include \$61.8 million of local agency revenue bonds, \$13.0 million of revenue refunding bonds, \$0.6 million in compensated absences, \$(0.2) million in deferred amounts and \$4.7 in OPEB obligation. During the current fiscal year, long-term debt decreased approximately \$65.7 million primarily due to the transfer of long-term debt of the former Lake Elsinore Redevelopment Agency to the Successor Agency fiduciary fund.

Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Local agency revenue bonds	\$ 61,835,000	\$ 64,220,000
Tax allocation bonds	-	60,080,000
Subordinate tax allocation bonds	-	4,610,000
Deferred amounts	(232,523)	(3,444,372)
Revenue refunding bonds	12,975,000	13,365,000
Disposition and development agreements	-	2,656,593
Owner participation agreements	-	414,172
Loans payable	-	204,046
Other post-employment benefit obligation	4,706,761	2,877,575
Compensated absences	<u>644,691</u>	<u>608,894</u>
Totals	<u>\$ 79,928,929</u>	<u>\$ 145,591,908</u>

Additional information on the City of Lake Elsinore's long-term debt can be found in Notes 7 through 8 and Note 16 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes are estimated to increase slightly for the next fiscal year due primarily to anticipated growth as the housing market improves and assessed property values increase.
- The retail sales trends increased each quarter in fiscal year 2012 and the projections are expecting this growth to continue during the next year.
- Construction activity is beginning to increase and building permits issued are expected to rise.

These factors were considered in preparing the City of Lake Elsinore's budget for fiscal year 2012-13.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lake Elsinore's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lake Elsinore, Director of Administrative Services, 130 South Main Street, Lake Elsinore, California, 92530, jriley@lake-elsinore.org.

See independent auditors' report.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments (Note 2)	\$ 36,727,235
Accounts receivable	723,406
Accrued interest receivable	1,170,395
Notes receivable (Note 3)	11,837,000
Interest receivable on notes (Note 3)	443,471
Due from other governments	6,627,987
Prepaid expense	1,070,606
Land held for resale (Note 5)	48,368
Deferred charges	3,256,587
Restricted assets (Note 2):	
Cash and investments with fiscal agents	66,852,464
Due from Successor Agency (Notes 9 and 13)	38,971,683
Capital assets, not depreciated (Note 4)	14,990,108
Capital assets, depreciated, net (Note 4)	132,960,994
	<u>315,680,304</u>
TOTAL ASSETS	
LIABILITIES:	
Accounts payable	5,717,318
Accrued liabilities	153,050
Other payroll liabilities	12,919
Deposits and other liabilities	9,512
Interest payable	989,421
Unearned revenue	797,541
Noncurrent liabilities (Note 7):	
Due within one year	3,339,469
Due in more than one year	76,589,460
	<u>87,608,690</u>
TOTAL LIABILITIES	
NET ASSETS:	
Invested in capital assets, net of related debt	134,976,102
Restricted for:	
Debt service	69,929,108
Specific programs	56,717,693
Specific capital projects	14,973,185
Unrestricted (deficit)	(48,524,474)
	<u>\$ 228,071,614</u>
TOTAL NET ASSETS	

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 11,944,507	\$ 3,035,324	\$ 128,322	\$ -	\$ (8,780,861)
Public safety	11,911,363	-	252,178	-	(11,659,185)
Community development	4,989,313	1,247,117	-	-	(3,742,196)
Public services	9,834,764	-	2,925,952	3,318,109	(3,590,703)
Community services	7,010,026	1,578,318	-	1,221,184	(4,210,524)
Interest on long-term debt	8,835,312	-	-	-	(8,835,312)
 Total governmental activities	 <u>\$ 54,525,285</u>	 <u>\$ 5,860,759</u>	 <u>\$ 3,306,452</u>	 <u>\$ 4,539,293</u>	 <u>(40,818,781)</u>

General revenues:

Taxes:

Property taxes	14,698,032
Sales taxes	7,444,947
Franchise taxes	2,002,550
Other taxes	538,402
Fines, forfeitures and penalties	1,850,398
Investment income	8,031,256
Miscellaneous	6,992,813

Total general revenues 41,558,398

Change in net assets, before extraordinary item 739,617

Extraordinary item - Gain on dissolution
of redevelopment agency (Note 20) 61,700,316

Change in net assets 62,439,933

NET ASSETS - BEGINNING OF YEAR 165,631,681

NET ASSETS - END OF YEAR \$ 228,071,614

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE ELSINORE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Special Revenue Fund Low and Moderate Income Housing Asset
ASSETS		
Cash and investments	\$ 12,306,799	\$ 441,253
Cash and investments with fiscal agents	-	-
Accounts receivable	723,406	-
Accrued interest receivable	2,526	-
Loans receivable from Successor Agency (Note 6)	-	-
Notes receivable	1,000,000	10,837,000
Interest receivable on notes	60,000	383,471
Due from other funds (Note 12)	612,986	-
Due from other governments	1,206,915	-
Due from Successor Agency (Note 12)	434,897	38,536,786
Prepaid items	1,070,606	-
Land held for resale	-	48,368
TOTAL ASSETS	<u>\$ 17,418,135</u>	<u>\$ 50,246,878</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 2,877,426	\$ 537,308
Accrued liabilities	105,782	1,793
Other payroll liabilities	12,919	-
Deposits and other liabilities	-	-
Due to other funds (Note 12)	-	-
Deferred revenue:		
Interest on advance to other funds	-	16,746,346
Property tax	-	3,750,000
Notes receivable	-	10,837,000
Interest on notes receivable	-	383,471
Other deferred revenue	1,089,620	-
TOTAL LIABILITIES	<u>4,085,747</u>	<u>32,255,918</u>
FUND BALANCES:		
Nonspendable:		
Due from Successor Agency	434,897	18,040,440
Prepaid items	1,070,606	-
Land held for resale	-	48,368
Loans receivable	1,000,000	-
Endowment principal	-	-
Restricted for:		
Debt service	-	-
Low and moderate income housing	-	-
General government	-	-
Public safety	-	-
Public services	-	-
Community services	-	-
Capital projects	-	-
Assigned to:		
Capital projects funds	-	-
Scholarships	-	-
Unassigned in:		
General fund	10,826,885	-
Special revenue funds	-	(97,848)
Debt service funds	-	-
TOTAL FUND BALANCES	<u>13,332,388</u>	<u>17,990,960</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,418,135</u>	<u>\$ 50,246,878</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Funds			
Redevelopment Agency	Public Financing Authority	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 511,944	\$ 23,467,239	\$ 36,727,235
-	66,149,396	703,068	66,852,464
-	-	-	723,406
-	290	16,464	19,280
-	58,580,000	-	58,580,000
-	-	-	11,837,000
-	-	-	443,471
-	-	-	612,986
-	3,111,520	1,558,691	5,877,126
-	-	-	38,971,683
-	-	-	1,070,606
-	-	-	48,368
<u>\$ -</u>	<u>\$ 128,353,150</u>	<u>\$ 25,745,462</u>	<u>\$ 221,763,625</u>
\$ -	\$ -	\$ 2,302,584	\$ 5,717,318
-	-	45,475	153,050
-	-	-	12,919
-	-	9,512	9,512
-	5,737	607,249	612,986
-	-	-	16,746,346
-	-	-	3,750,000
-	-	-	10,837,000
-	-	-	383,471
-	-	1,576,689	2,666,309
<u>-</u>	<u>5,737</u>	<u>4,541,509</u>	<u>40,888,911</u>
-	-	-	18,475,337
-	-	-	1,070,606
-	-	-	48,368
-	58,580,000	-	59,580,000
-	-	20,003	20,003
-	69,767,413	2,341	69,769,754
-	-	-	-
-	-	67,349	67,349
-	-	352,026	352,026
-	-	4,910,991	4,910,991
-	-	1,756,863	1,756,863
-	-	2,435,730	2,435,730
-	-	12,537,455	12,537,455
-	-	10,948	10,948
-	-	-	10,826,885
-	-	(871,507)	(969,355)
-	-	(18,246)	(18,246)
<u>-</u>	<u>128,347,413</u>	<u>21,203,953</u>	<u>180,874,714</u>
<u>\$ -</u>	<u>\$ 128,353,150</u>	<u>\$ 25,745,462</u>	<u>\$ 221,763,625</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF LAKE ELSINORE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Fund balances for governmental funds		\$ 180,874,714
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Interfund loans receivable not reported in the Statement of Net Assets.		(58,580,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		147,951,102
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditures when due. Unamortized bond issuance costs are not current financial resources and are not reported in the funds long-term liabilities and unamortized discount reported in the Statement of Net Assets are:		
Deferred charges	\$ 3,256,587	
Deferred amount on refunding	407,900	
Bond premium	(175,377)	
Interest payable	(989,421)	
Long-term liabilities	<u>(80,161,452)</u>	
		(77,661,763)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements		
Interest receivable	\$ 1,151,115	
Due from other governments	<u>2,619,629</u>	
		3,770,744
Note and other receivables, interest on interfund loans reported in the special revenue funds are not available soon enough to pay for current-period expenditures, and therefore they are reported as deferred revenue in the funds. The receivables and interest are:		
Notes receivable	\$ 10,837,000	
Other receivable	3,750,000	
Interest on notes receivable	383,471	
Interest on interfund loans	<u>16,746,346</u>	
		<u>31,716,817</u>
Net assets of governmental activities		<u><u>\$ 228,071,614</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	General Fund	Special Revenue Fund Low and Moderate Income Housing Asset
REVENUES:		
Property taxes	\$ 5,287,580	\$ -
Other taxes	9,911,400	-
Licenses, permits and fees	1,660,973	-
Intergovernmental revenues	128,322	-
Charges for services	1,374,351	-
Fines, forfeitures and penalties	1,530,221	-
Investment income	242,769	-
Special assessments	-	-
Contribution from property owners	-	-
Miscellaneous	4,063,339	-
TOTAL REVENUES	<u>24,198,955</u>	<u>-</u>
EXPENDITURES:		
Current:		
General government	6,300,767	-
Public safety	11,306,665	-
Community development	1,486,755	-
Public services	1,393,247	-
Community services	4,257,888	-
Pass-through payments	-	-
Capital outlay	-	-
Debt service:		
Bond issuance costs	-	-
Principal retirement	-	-
Interest and fiscal charges	-	96,055
TOTAL EXPENDITURES	<u>24,745,322</u>	<u>96,055</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(546,367)</u>	<u>(96,055)</u>
OTHER FINANCING SOURCES (USES):		
Refunding bonds issued	-	-
Payment to refunding bond escrow agent	-	-
Discount on bonds	-	-
Transfers in	50,000	-
Transfers out	(987,026)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(937,026)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(1,483,393)	(96,055)
EXTRAORDINARY ITEM:		
Gain (loss) from dissolution of Redevelopment Agency (Note 20)	-	18,087,015
NET CHANGE IN FUND BALANCES	(1,483,393)	17,990,960
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	14,815,781	-
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 13,332,388</u>	<u>\$ 17,990,960</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Funds			
Redevelopment Agency	Public Financing Authority	Other Governmental Funds	Total Governmental Funds
\$ 9,451,004	\$ -	\$ -	\$ 14,738,584
-	-	-	9,911,400
-	-	1,247,118	2,908,091
-	-	6,065,455	6,193,777
-	-	-	1,374,351
-	-	320,177	1,850,398
212,552	6,328,028	396,669	7,180,018
-	-	1,578,318	1,578,318
-	-	1,221,184	1,221,184
1,915,594	425,465	980,351	7,384,749
<u>11,579,150</u>	<u>6,753,493</u>	<u>11,809,272</u>	<u>54,340,870</u>
771,339	168,296	227,353	7,467,755
-	-	604,699	11,911,364
-	-	122,027	1,608,782
-	-	6,406,848	7,800,095
-	-	1,705,985	5,963,873
3,542,473	-	-	3,542,473
7,479	-	10,261,274	10,268,753
-	238,290	-	238,290
1,081,578	3,945,000	1,065,000	6,091,578
1,686,439	5,853,817	315,660	7,951,971
<u>7,089,308</u>	<u>10,205,403</u>	<u>20,708,846</u>	<u>62,844,934</u>
4,489,842	(3,451,910)	(8,899,574)	(8,504,064)
-	1,405,000	-	1,405,000
-	(1,345,000)	-	(1,345,000)
-	(30,000)	-	(30,000)
-	-	2,459,613	2,509,613
(684,405)	-	(838,182)	(2,509,613)
<u>(684,405)</u>	<u>30,000</u>	<u>1,621,431</u>	<u>30,000</u>
3,805,437	(3,421,910)	(7,278,143)	(8,474,064)
20,922,587	-	(27,300,611)	11,708,991
24,728,024	(3,421,910)	(34,578,754)	3,234,927
(24,728,024)	131,769,323	55,782,707	177,639,787
<u>\$ -</u>	<u>\$ 128,347,413</u>	<u>\$ 21,203,953</u>	<u>\$ 180,874,714</u>

CITY OF LAKE ELSINORE, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Net change in fund balances - total governmental funds \$ 3,234,927

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

Governmental funds report capital outlays as an expenditure in the full amount as current financial resources are used. However, in the Statement of Activities the cost of these assets is allocated over the estimated useful life as depreciation expense.

Capital outlay	\$ 10,222,252	
Depreciation expense	(5,555,742)	
		4,666,510

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These amounts are the net effect of these differences in the treatment of long-term debt.

Long-term debt principal payments	\$ 6,234,783	
Refunding bonds issued	(1,405,000)	
Payment to refunding bond escrow agent	1,345,000	
Deferred amount on refunding	177,787	
Issuance costs	238,290	
		6,590,860

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.

Amortization bond issuance costs	\$ (356,449)	
Amortization bond premium	21,922	
Amortization of deferred amount on refunding	(116,186)	
Amortization of bond discount	(27,255)	
Interest and fiscal charges	(696,367)	
Other post-employment benefit obligation	(1,829,186)	
Compensated absences	35,797	
		(2,967,724)

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 governmental funds:

Investment income	\$ 851,238	
Taxes and intergovernmental revenue	464,731	
Licenses, permits, fees and other revenue	(391,934)	
		924,035

The City of Lake Elsinore Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x26 and 1484. Assets and liabilities of the dissolved Agency as of February 1, 2012 were transferred to the Successor Agency:

Transfer of capital assets, net of accumulated depreciation	\$ (11,508,283)	
Transfer of unamortized deferred amount on refunding and issuance premium	(2,540,340)	
Transfer of unamortized bond deferred charges	(2,699,312)	
Transfer of bond discounts	(727,777)	
Transfer of interest payable	1,154,658	
Transfer of Interfund loans to the Successor Agency	58,580,000	
Transfer of long-term debt to the Successor Agency	7,732,379	
		49,991,325

Change in net assets of governmental activities \$ 62,439,933

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the period February 1, 2012 to June 30, 2012

	Successor Agency to the City of Lake Elsinore Redevelopment Agency Private Purpose Trust Fund
	<u>Trust Fund</u>
ADDITIONS:	
Tax increment	\$ 5,246,477
Investment income	45,758
Other income	157,380
TOTAL ADDITIONS	<u>5,449,615</u>
DEDUCTIONS:	
Contract services	547,434
Project Costs	
Debt Service:	
Principal retirement	
Interest	1,492,499
Depreciation expense	157,512
TOTAL DEDUCTIONS	<u>2,197,445</u>
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	3,252,170
EXTRAORDINARY ITEM:	
Loss on dissolution of former Redevelopment Agency (Note 15)	<u>(61,700,316)</u>
CHANGE IN NET ASSETS	(58,448,146)
NET ASSETS - FEBRUARY 1, 2012	<u>-</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (58,448,146)</u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

A. Description of the Reporting Entity:

The City of Lake Elsinore (City) was incorporated April 23, 1888, under the general laws of the State of California. The City operates under a Council-Member form of government and provides the following services: public safety (law enforcement), highways and streets, cultural recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Lake Elsinore include the financial activities of the City, the Lake Elsinore Redevelopment Agency (Agency) through the date of dissolution of February 1, 2012, the Lake Elsinore Public Financing Authority (Authority) and the Lake Elsinore Recreation Authority (Recreation Authority). The basic criteria for including an agency, institution, authority or other organization in a governmental unit's financial reporting entity is financial accountability. Financial accountability includes, but is not limited to 1) selection of the governing body, 2) imposition of will, 3) ability to provide a financial benefit to or impose financial burden on and 4) fiscal dependency.

There may, however, be factors other than financial accountability that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These other factors include scope of public service and special financing relationships.

Based upon the application of these criteria, an agency, institution or authority, may be included as a component unit in the primary government's financial statements. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with date of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. There are no discretely presented component units in these financial statements. Each blended component unit presented, except for the Agency which was dissolved February 1, 2012, has a June 30, 2012 year end. The following is a brief review of each component unit included in the primary government's reporting entity.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of the Reporting Entity (Continued):

The Lake Elsinore Redevelopment Agency

The Agency was established July 15, 1980, pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". Its purpose was to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The City Council also acts as the governing body of the Agency. The Agency's activities are blended with those of the City in these financial statements and reported as a special revenue fund, a debt service fund and a capital projects fund. The Agency was dissolved effective February 1, 2012, as a result of California Assembly Bill 1x 26 (the Dissolution Act). See Note 20 for additional information. The Agency's financial transactions for the seven-month period from July 1, 2011 through January 31, 2012 are included in these financial statements.

The Lake Elsinore Public Financing Authority

The Authority is a joint exercise of powers between the City and Agency created by a joint powers agreement dated July 25, 1989. The purpose of the Authority is to provide, through the issuance of revenue bonds, a financing pool to fund capital improvement projects. These revenue bonds are to be repaid solely from the revenues of certain public obligations. The Authority does not have taxing power. The City Council also acts as the governing body of the Authority. The Authority's activities are blended with those of the City in these financial statements and are reported as a debt service fund.

The Lake Elsinore Recreation Authority

The Recreation Authority is a joint exercise of powers between the City and Agency created by a joint powers agreement dated December 1, 1996. The purpose of the Recreation Authority is to provide, through the issuance of revenue bonds, a financing pool to fund capital improvement projects. These revenue bonds are to be repaid solely from the revenues of certain public obligations. The Recreation Authority does not have taxing power. The City Council also acts as the governing body of the Recreation Authority. The Recreation Authority's activities are blended with those of the City in these financial statements and are reported as a debt service fund.

A component unit financial statement for each component unit previously described may be obtained at 130 South Main Street, Lake Elsinore, California 92530.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no business-type activities or discretely presented component units. For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Direct payments have not been eliminated from the functional categories. Internal expenses and internal payments have been eliminated.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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, 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.

Separate Financial Statements for the government's governmental and fiduciary funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Fiduciary statements, even though excluded from the government-wide financial statements represents private purpose trust funds and agency funds.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) 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 net current assets. 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 due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are reported under the nonspendable fund balance category.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City's Fiduciary Funds consists of private purpose trust funds which are reported using the economic resources measurement focus and the agency funds which have no measurement focus, but utilizes the accrual basis for reporting its assets and liabilities.

D. Fund Classifications:

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

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

The Low and Moderate Income Housing Asset Special Revenue Fund is used to account for funds to be used for low and moderate income projects. Expenditures for this fund are restricted to low and moderate income housing projects.

The Redevelopment Agency Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs within the Rancho Laguna I, Rancho Laguna II and Rancho Laguna III project areas. The Agency was dissolved effective February 1, 2012.

The Public Financing Authority Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, long-term debt principal, interest and related costs of the Authority.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Fund Classifications (Continued):

Major Governmental Funds (Continued):

Additionally, the City reports the following fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or external agreements to expenditure for specific purposes.

The Debt Service Fund is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses.

The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Lake Elsinore Redevelopment Agency.

The Agency Funds are used to account for money received by the City as an agent for individuals, other governments and other entities.

E. Explanation of Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets:

The “total fund balances” of the City’s governmental funds \$180,874,714 differs from “net assets” of governmental activities \$228,071,614 reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Loans Receivable

Loans receivable from the Agency to the Authority are not reported in the Statement of Net Assets. All interfund assets are reported in the funds.

Loan receivable from Successor Agency	<u>\$ (58,580,000)</u>
---------------------------------------	------------------------

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Explanation of Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets (Continued):

Capital Assets

Capital assets are recorded as expenditures in the full amount as current financial resources are used in the governmental funds. However, the Statement of Net Assets allocates these capital assets as financial resources over their estimated useful life.

Capital assets, net of depreciation	<u>\$ 147,951,102</u>
-------------------------------------	-----------------------

Bond Issuance Costs

Bond issuance costs are due and payable in the current period and accordingly reported as an expenditure for the full amount when paid in the governmental funds. However, the Statement of Net Assets reports an asset for the unamortized portion of these costs over the life of the bond.

Bond issuance costs	\$ 3,451,311
Amortization	<u>(194,724)</u>

Unamortized bond issuance costs	<u>\$ 3,256,587</u>
---------------------------------	---------------------

Long-Term Debt Transactions

Long-term liabilities and related items such as bond premiums, deferred amounts on refunding, and interest payable on these liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and related items (both current and long-term) are reported in the Statement of Net Assets. Balances at the end of this fiscal year were:

Interest payable on long-term liabilities	\$ (989,421)
Long-term liabilities	(80,161,452)
Deferred amounts on refunding	407,900
Bond premium	<u>(175,377)</u>

Long-term debt transactions	<u>\$ (80,918,350)</u>
-----------------------------	------------------------

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Explanation of Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets (Continued):

Long-Term Assets

Receivables applicable to the City's governmental activities which are not available to pay for current period expenditures, and are deferred in the fund financial statements. All receivables (both current and long-term) are reported in the Statement of Net Assets. Balances at the end of this fiscal year were:

Interest receivable	\$ 1,151,115
Due from other governments	<u>2,619,629</u>
Long-term receivables	<u>\$ 3,770,744</u>

Notes Receivable, Other Receivables and Interest

Notes receivable, other receivables and interest on amounts due from the Successor Agency reported in the special revenue funds are not available soon enough to pay for current-period expenditures, and therefore they are reported as deferred revenue in the funds.

Notes receivable	\$ 10,837,000
Other receivables	3,750,000
Interest on interfund loans	16,746,346
Interest on notes receivable	<u>383,471</u>
	<u>\$ 31,716,817</u>

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once, in the function in which they are allocated.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Explanation of Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities:

The “net change in fund balances” for governmental funds \$3,234,927 differs from the “change in net assets” for governmental activities \$62,439,933 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Depreciation of Capital Assets

Capital assets are reported as expenditures in full in the year of acquisition as current financial resources are used in governmental funds. However the costs of these capital assets are allocated over their estimated useful life in the Statement of Activities through depreciation. Donated assets and disposal of assets are reported only in the Statement of Activities.

Capital outlay	\$ 10,222,252
Depreciation expense	<u>(5,555,742)</u>
	<u>\$ 4,666,510</u>

Long-Term Debt Transactions

Some revenues and expenditures reported in the Statement of Revenues, Expenditures and Changes in Fund Balances are included as an addition or deletion of long-term liabilities in the Statement of Net Assets.

Long-term debt principal payments	\$ 6,234,783
Refunding bonds issued	(1,405,000)
Payment to refunding bond escrow agent	1,345,000
Deferred amount on refunding	177,787
Issuance costs	<u>238,290</u>
Total long-term debt transactions	<u>\$ 6,590,860</u>

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- F. Explanation of Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities (Continued):

Bond Issuance Costs

Bond issuance costs are due and payable in the current period and accordingly reported as an expenditure for the full amount when paid in the governmental funds. However, the Statement of Activities reports an expense for the unamortized portion of these costs over the life of the bond.

Amortization of bond issuance costs	<u>\$ (356,449)</u>
-------------------------------------	---------------------

Bond Premium/Discount

Bond premiums/discounts are reported as revenues/expenditures for the full amount when bonds are issued in the governmental funds. However, the Statement of Activities reports an increase/decrease in expense for the unamortized portion of these costs over the life of the bond.

Amortization of bond premium	\$ 21,922
Amortization of bond discount	<u>(27,255)</u>
	<u>\$ (5,333)</u>

Interest on Long-Term Debt

Interest payable on long-term debt does not require the use of current financial resources and is not reported as governmental fund expenditures. However, these expenses are reported in the Statement of Activities.

Interest and fiscal charges	<u>\$ (696,367)</u>
-----------------------------	---------------------

Deferred Amount

In the governmental funds, proceeds from refunding bonds and related payment to refund bond escrow agent are reported in the full amount in the year of the refunding. For the Statement of Activities any gain or loss is deferred and amortized over the shorter period over which principal is to be paid on the refunded bonds or issued bonds.

Amortization of deferred amount on refunding	<u>\$ (116,186)</u>
--	---------------------

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Explanation of Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities (Continued):

Other Expenses

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.

Other post-employment benefit obligation	\$ (1,829,186)
Compensated absences	<u>35,797</u>
	<u>\$ (1,793,389)</u>

Interest on Long-Term Receivables

Interest on the long-term receivables from the Successor Agency to the City is not reported on the Statement of Activities. However, these revenues are reported as governmental fund revenues.

Investment income	<u>\$ 915,646</u>
-------------------	-------------------

Interest on Investments in Local Obligations

The net change in interest receivable on investments in local obligations, which is not available to pay for current expenditures, is not reported in the Fund Financial Statements.

Interest on investments in local obligations	<u>\$ (64,408)</u>
--	--------------------

Other Revenues

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.

Taxes, intergovernmental revenue and other revenue	<u>\$ 72,797</u>
--	------------------

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Employee Compensated Absences:

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation, sick, holiday benefits and compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payment upon termination or retirement. The amount recorded in accordance with GASB Statement No. 16 at June 30, 2012 was \$644,691.

J. Interfund Activity:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a nonspendable fund balance which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

K. Risk Management:

The City's workers' compensation losses are covered by a policy with the California State Compensation Board. The City's liability losses are covered under their participation in the California Joint Powers Insurance Authority (JPIA).

L. Capital Assets:

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of 2 years or more. Infrastructure is capitalized if cost is in excess of \$50,000 and it has an expected useful life of 2 years or more. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Donated capital assets are valued at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Capital Assets (Continued):

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the Statement of Net Assets.

The range of lives used for depreciation purposes for each capital asset class is as follows:

Building and structures	40 years
Improvements other than buildings	25 years
Machinery and equipment	5 - 8 years
Furniture and fixtures	5 years
Automotive equipment	5 years
Infrastructure	35 -100 years

M. Property Tax Revenue:

Property tax in California is levied according to Article 13-A of the California Constitution. The County of Riverside, California (the County) is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) as determined by the County Assessor.

Property taxes are levied by the County and shared with all other political jurisdictions within the County. These political jurisdictions and the County may levy an additional property tax override only after two-thirds approval of the jurisdictions' voters.

The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied provided that the revenue is collected during the year or within 60 days of year-end. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1, and are payable in two installments on November 1 and February 1. Such taxes become delinquent on December 10 and April 10, respectively.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Use of Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2012 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of <u>Net Assets</u>	Fiduciary Fund Statement of <u>Net Assets</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 36,727,235	\$ 28,687,959	\$ 65,415,194
Restricted assets:			
Cash and investments with fiscal agents	<u>66,852,464</u>	<u>46,582,020</u>	<u>113,434,484</u>
Total Cash and Investments	<u>\$ 103,579,699</u>	<u>\$ 75,269,979</u>	<u>\$ 178,849,678</u>

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	6,658,285
Investments	<u>172,190,093</u>
Total Cash and Investments	<u>\$ 178,849,678</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	None	None
United States Government Sponsored Agency Securities	5 years	None	40%
State and Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Insured or Collateralized Time Certificate of Deposits	5 years	None	None
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	30 days	None	None
Reverse Repurchase Agreements	92 days	10%	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 50,000,000
California Asset Management Program (CAMP)	N/A	None	None
Money Market Fund	5 years	20%	None

N/A - Not Applicable

* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury Obligations, United States Government Sponsored Agency Securities, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There were no limitations on the maximum amount can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Commercial Paper which is limited to 92 days and of Banker's Acceptances which are limited to one year.

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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Local Agency Investment Fund	\$ 14,710,694	\$ -	\$ -	\$ -	\$ 14,710,694
Local Obligation Bonds	2,671,742	2,947,064	11,669,252	40,937,403	58,225,461
Corporate Notes	-	1,051,808	6,276,987	-	7,328,795
United States Government Sponsored Agency Securities	914,087	9,488,567	15,393,093	-	25,795,747
United States Treasury Notes	-	1,524,492	9,298,191	-	10,822,683
United States Treasury Securities State and Local Government Series	7,285	13,892	41,225	2,611,208	2,673,610
California Asset Management Program Pool (CAMP)	97,692	-	-	-	97,692
Mutual Funds	52,535,411	-	-	-	52,535,411
	<u>\$ 70,936,911</u>	<u>\$ 15,025,823</u>	<u>\$ 42,678,748</u>	<u>\$ 43,548,611</u>	<u>\$ 172,190,093</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk

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

The City's investment in local obligation bonds are secured by special assessment taxes on property owned by the Community Facilities Districts or Special Assessment Districts. Due to the decline in property values and general economic conditions, there has been an increase in delinquent special assessment collections, resulting in foreclosures on property secured by the special assessments. The City may not be able to recover its investment in these local obligations bonds if collections of special assessments decline and foreclosure proceeds are not adequate to cover the investment balances.

Investment Type	Total as of June 30, 2012	Minimum Legal Rating	AAA	AA	Other	Unrated	Not Required to be Rated
Local Agency							
Investment Fund	\$ 14,710,694	N/A	\$ -	\$ -	\$ -	\$ 14,710,694	\$ -
Local Obligation Bonds	58,225,461	N/A	-	-	-	58,225,461	-
Corporate Notes	7,328,795	AA	-	-	7,328,795	-	-
United States							
Government Sponsored							
Agency Securities	25,795,747	N/A	-	25,795,747	-	-	-
United States							
Treasury Notes	10,822,683	N/A	-	-	-	-	10,822,683
United States Treasury							
Securities State and Local Government							
Series	2,673,610	N/A	-	-	-	-	2,673,610
California Asset							
Management Program							
Pool (CAMP)	97,692	N/A	97,692	-	-	-	-
Mutual Funds	<u>52,535,411</u>	AAA	<u>52,535,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 172,190,093</u>		<u>\$ 52,633,103</u>	<u>\$ 25,795,747</u>	<u>\$ 7,328,795</u>	<u>\$ 72,936,155</u>	<u>\$ 13,496,293</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 (CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued)

The actual ratings for the Corporate Notes are as follows:

Other:

AA+	\$ 711,796
AA	180,508
AA-	1,273,805
A+	1,051,808
A	<u>4,110,878</u>
	<u>\$ 7,328,795</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Community Facilities District 88-3 West Lake Elsinore	Local Obligation Bond	\$ 18,600,000
Community Facilities District 98-1 Bonds	Local Obligation Bond	17,440,000

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued)

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 market 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, 2012, City deposits (bank balances) were fully insured by the Federal Depository Insurance Corporation.

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 (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in California Asset Management Program

The California Asset Management Program (the CAMP) is a public joint powers authority which provides California Public Agencies with investment management services for surplus funds and comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt financings. The CAMP currently offers the Cash Reserve Portfolio, a short-term investment portfolio, as a means for Public Agencies to invest these funds. Public Agencies that invest in the Pool (Participants) purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts (Individual Portfolios) by separate agreement with the Investment Advisor. The City has a separate account with the Investment Advisor to manage part of the CAMP portfolio.

Investments in the Pools and Individual Portfolios are made only in investments in which Public Agencies generally are permitted by California statute. The CAMP may reject any investment and may limit the size of a Participant's account. The Pool seeks to maintain, but does not guarantee, a constant net asset value of \$1.00 per share. A Participant may withdraw funds from its Pool accounts at any time by check or wire transfers. Requests for wire transfers must be made by 9:00 a.m. that day. Fair value of the Pool is determined by the fair value per share of the Pool's underlying portfolio.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investment by Entity:

Cash and investments held by entity at June 30, 2012 are as follows:

	City of Lake Elsinore	Successor Agency	Public Financing Authority	Recreation Authority	Total
Deposits at carrying amount (1)	\$ 571,099	\$ 5,901,760	\$ 185,426	\$ -	\$ 6,658,285
Petty cash and change drawer	1,300	-	-	-	1,300
Local Agency Investment Fund	9,776,358	4,607,818	326,518	-	14,710,694
Local Obligation Bonds	-	-	58,225,461	-	58,225,461
Corporate Notes	5,458,264	1,870,531	-	-	7,328,795
United States Government					
Sponsored Agency Securities	16,336,865	9,458,882	-	-	25,795,747
United States Treasury Notes	7,168,878	3,653,805	-	-	10,822,683
United States Treasury Securities					
State and Local Government Series	2,673,610	-	-	-	2,673,610
California Asset Management					
Program Pool (CAMP)	45,514	52,178	-	-	97,692
Mutual Funds	<u>39,335,053</u>	<u>5,274,084</u>	<u>7,923,933</u>	<u>2,341</u>	<u>52,535,411</u>
 Total Cash and Investments	 <u>\$ 81,366,941</u>	 <u>\$ 30,819,058</u>	 <u>\$ 66,661,338</u>	 <u>\$ 2,341</u>	 <u>\$178,849,678</u>

(1) Net of deposits in transit and outstanding warrants.

3. NOTES RECEIVABLE:

The City has a note receivable in the amount of \$1,000,000 from Pottery Court Housing Associates, L.P. dated December 9, 2009. The proceeds of the loan assisted with the development of the Pottery Court Affordable Housing Project. This loan was funded with HOPE VI grant funds from the United States Department of Housing and Urban Development. The loan is to be repaid with interest in arrears in annual installments on July 1, commencing on July 1 in the calendar year immediately following the calendar year in which the deed of trust securing the permanent loan is recorded in the official records of Riverside County. Absent prepayment or acceleration, the Borrower agrees to pay the loan in annual payments equal to 75 percent of the residual receipts as defined in the loan agreement. Notwithstanding any other provision, unless the loan is paid earlier, the outstanding principal and accrued unpaid interest is payable 55 years from the date of recording of the release of construction covenants. As of June 30, 2012, the release of construction covenants has not been recorded. At June 30, 2012, the total outstanding balance of \$1,060,000 includes accrued interest of \$60,000.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

3. NOTES RECEIVABLE (CONTINUED):

The City's Low and Moderate Income Housing Asset Special Revenue Fund has a note receivable in the amount of \$9,737,000 from Pottery Court Housing Associates, L.P. dated March 10, 2011. The proceeds of the loan assisted with the acquisition of property and development of the Pottery Court Affordable Housing Project. The loan is to be repaid with interest in arrears in annual installments on July 1, commencing on July 1 in the calendar year immediately following the calendar year in which the deed of trust securing the permanent loan is recorded in the official records of Riverside County. Absent prepayment or acceleration, the Borrower agrees to pay the loan in annual payments equal to 67.5 percent of the residual receipts as defined in the loan agreement. Notwithstanding any other provision, unless the loan is paid earlier, the outstanding principal and accrued unpaid interest is payable 55 years from the date of recording of the release of construction covenants. As of June 30, 2012, the release of construction covenants has not been recorded. At June 30, 2012, the total outstanding balance of \$10,102,138 includes interest of \$365,138.

The City's Low and Moderate Income Housing Asset Special Revenue Fund has a note receivable in the amount of \$1,100,000 from LMV II Affordable, LP dated October 12, 2010. The proceeds of the loan assisted with the rehabilitation of 64 units of affordable housing for families of the Lakeview II Affordable Housing Project. The loan is to be repaid with interest in arrears in annual installments on July 1, commencing on July 1 in the calendar year immediately following the calendar year in which the deed of trust securing the second permanent loan is recorded in the official records of Riverside County. Absent prepayment or acceleration, the Borrower agrees to pay the loan in annual payments equal to 30 percent of the residual receipts as defined in the loan agreement. Notwithstanding any other provision, unless the loan is paid earlier, the outstanding principal and accrued unpaid interest is payable 55 years from the date of recording of the release of construction covenants evidencing completion of the rehabilitation. As of June 30, 2012, the release of construction covenants has not been recorded. At June 30, 2012, the total outstanding balance of \$1,118,333 includes accrued interest of \$18,333.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2012 is as follows:

	Balance at June 30, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012
Capital assets, not depreciated:					
Land	\$ 5,352,814	\$ -	\$ -	\$ (2,426,392)	\$ 2,926,422
Construction in progress	<u>2,561,733</u>	<u>9,501,953</u>	<u>-</u>	<u>-</u>	<u>12,063,686</u>
Total capital assets, not depreciated	<u>7,914,547</u>	<u>9,501,953</u>	<u>-</u>	<u>(2,426,392)</u>	<u>14,990,108</u>
Capital assets, depreciated:					
Building and structures	30,605,938	310,284	-	(14,251,444)	16,664,778
Improvements other than buildings	8,310,251	-	-	(349,940)	7,960,311
Machinery and equipment	3,390,939	20,541	(61,050)	(972,376)	2,378,054
Furniture and fixtures	625,898	90,234	-	(996)	715,136
Automotive equipment	2,009,465	-	(20,188)	-	1,989,277
Infrastructure	<u>182,261,982</u>	<u>380,481</u>	<u>-</u>	<u>-</u>	<u>182,642,463</u>
Total capital assets, depreciated	<u>227,204,473</u>	<u>810,540</u>	<u>(81,238)</u>	<u>(15,574,756)</u>	<u>212,350,019</u>
Less accumulated depreciation for:					
Building and structures	(8,837,382)	(555,477)	-	5,335,487	(4,057,372)
Improvements other than buildings	(4,607,223)	(248,747)	-	184,006	(4,671,964)
Machinery and equipment	(2,680,520)	(139,246)	59,934	972,376	(1,787,456)
Furniture and fixtures	(510,315)	(38,524)	-	996	(547,843)
Automotive equipment	(1,583,676)	(267,050)	20,188	-	(1,830,538)
Infrastructure	<u>(62,107,029)</u>	<u>(4,386,823)</u>	<u>-</u>	<u>-</u>	<u>(66,493,852)</u>
Total accumulated depreciation	<u>(80,326,145)</u>	<u>(5,635,867)</u>	<u>80,122</u>	<u>6,492,865</u>	<u>(79,389,025)</u>
Total capital assets, depreciated, net	<u>146,878,328</u>	<u>(4,834,327)</u>	<u>(1,116)</u>	<u>(9,081,891)</u>	<u>132,960,994</u>
Total Governmental Activities capital assets, net	<u>\$154,792,875</u>	<u>\$ 4,667,626</u>	<u>\$ (1,116)</u>	<u>\$(11,508,283)</u>	<u>\$147,951,102</u>

(a) The net transfer of \$11,508,283 relates to the transfer of capital assets to the successor agency from the former redevelopment agency. See Notes 20 and 21 for additional information.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

4. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to functions/programs in the Statement of Activities as follows:

Governmental Activities:	
General government	\$ 2,555,045
Public services	2,034,669
Community services	<u>1,046,153</u>
 Total depreciation expense	 <u>\$ 5,635,867</u>

5. LAND HELD FOR RESALE:

The former Redevelopment Agency of the City of Lake Elsinore (“Agency”) acquired land for development. As a result of the dissolution of the Agency, \$6,088,480 in land held for resale was transferred to the Successor Agency to the Redevelopment Agency of the City of Lake Elsinore’s private-purpose fiduciary trust fund and \$48,368 was retained by the City and reported in the Low and Moderate Income Housing Asset Special Revenue Fund. The land is being carried at the lower of cost or net realizable value. See Note 20 for additional information regarding the dissolution of the Agency.

6. LOANS RECEIVABLE:

The Lake Elsinore Public Financing Authority (“Authority”) entered into loan agreements with the former Redevelopment Agency of the City of Lake Elsinore (“Agency”) whereby the Authority loaned the proceeds of the 2010 Series A, B and C Tax Allocation Revenue Bonds and the 2011 Series A Tax Allocation Bonds issued by the Authority to the Agency to retire debt and provide funds for certain public improvements in Agency project areas. As a result of the dissolution of the Agency, the obligation to pay the loans to the Authority was transferred to the Successor Agency to the Redevelopment Agency of the City of Lake Elsinore (“Successor Agency”). The principal and interest are payable in installment payments payable not less than three days prior to the due date on the related bonds payable. (See Note 8). These loans are recorded as a receivable in the Authority’s Debt Service Fund on the Governmental Fund Balance Sheet. For the Government-Wide financial statements, the loan receivable is eliminated.

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

6. LOANS RECEIVABLE (CONTINUED):

The following table represents the outstanding balance of loans receivable from the Successor Agency at June 30, 2012:

<u>Tax Allocation Revenue Bonds</u>	<u>Loans Receivable Balance</u>
2010 Series A Issue	\$ 14,450,000
2010 Series B Issue	9,795,000
2010 Series C Issue	28,785,000
2011 Series A Issue	<u>5,550,000</u>
Total	<u>\$ 58,580,000</u>

The loans have not been challenged as enforceable obligations of the Successor Agency by the California Department of Finance. The Authority expects repayment of these loans from property tax revenues allocated to the Successor Agency. See Note 20 for additional information related to the dissolution of the former Redevelopment Agency.

7. LONG-TERM LIABILITIES:

	<u>Date of Issue</u>	<u>Years of Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized</u>
Local Agency				
Revenue Bonds:				
1996 Series E	3/96	1997-2026	5.25% - 7.50%	\$ 1,750,000
1999 Series G	2/99	2000-2015	5.00% - 5.80%	4,035,000
2003 Series H	2/03	2003-2033	2.75% - 6.375%	31,570,000
2008 Series A	1/08	2008-2020	3.5% - 4.30%	22,295,000
2008 Series B	3/08	2008-2038	4.5% - 6.875%	3,265,000
2010 Series A	11/10	2013-2040	3.25% - 6.25%	7,430,000
2011 Series A	6/11	2012-2038	3.00% - 6.125%	5,365,000
2011 Series B	11/11	2012-2026	1.75% - 5.50%	1,405,000
Tax Allocation				
Revenue Bonds:				
2010 Series A	2/10	2010-2033	2.00% - 5.25%	15,435,000
2010 Series B	5/10	2010-2025	2.00% - 4.75%	10,855,000
2010 Series C	11/10	2011-2030	2.00% - 5.00%	29,435,000
2011 Series A	1/11	2012-2021	4.00% - 6.00%	5,550,000

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 (CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

	<u>Date of Issue</u>	<u>Years of Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized</u>
Subordinate Tax Allocation Revenue				
Bonds:				
2011 Series Project Area II	4/11	2011-2033	3.60% - 7.65%	\$ 3,260,000
2011 Series Project Area III	4/11	2011-2038	3.60% - 7.65%	1,350,000
Revenue Refunding				
Bonds:				
2000 Series A	7/00	2005-2032	Variable	15,660,000
Developer Agreements:				
Wal-Mart Stores, Inc.	3/93	1995-2012	7.00%	2,200,000
Oak Grove Equities Outlet Center	3/93	1996-2016	7.00%	1,800,000
	12/89	1996-2015	N/A	2,140,000
Loans Payable:				
EVMWD Amber Ridge	2/95	1995-2014	2.70% - 6.00%	867,574

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

	Outstanding June 30, 2011	Additions	Retirements	Transfers (a)	Outstanding June 30, 2012	Due Within One Year
Local Agency Revenue Bonds:						
1996 Series E	\$ 1,345,000	\$ -	\$ (1,345,000)	\$ -	\$ -	\$ -
1999 Series G	1,440,000	-	(255,000)	-	1,185,000	275,000
2003 Series H	27,290,000	-	(850,000)	-	26,440,000	940,000
2008 Series A	18,085,000	-	(1,340,000)	-	16,745,000	1,425,000
2008 Series B	3,265,000	-	-	-	3,265,000	5,000
2010 Series A	7,430,000	-	-	-	7,430,000	-
2011 Series A	5,365,000	-	-	-	5,365,000	135,000
2011 Series B	-	1,405,000	-	-	1,405,000	85,000
Tax Allocation Revenue Bonds:						
2010 Series A	14,755,000	-	(305,000)	(14,450,000)	-	-
2010 Series B	10,340,000	-	(545,000)	(9,795,000)	-	-
2010 Series C	29,435,000	-	(650,000)	(28,785,000)	-	-
2011 Series A	5,550,000	-	-	(5,550,000)	-	-
Subordinate Tax Allocation Bonds:						
2011 Series Project Area II	3,260,000	-	-	(3,260,000)	-	-
2011 Series Project Area III	1,350,000	-	-	(1,350,000)	-	-
	128,910,000	1,405,000	(5,290,000)	(63,190,000)	61,835,000	2,865,000
Add (less) deferred amounts:						
Bond premium	197,299	-	(21,922)	-	175,377	-
On refunding	(2,886,639)	(177,787)	116,186	2,540,340	(407,900)	-
Discount on bonds	(755,032)	-	27,255	727,777	-	-
	125,465,628	1,227,213	(5,168,481)	(59,921,883)	61,602,477	2,865,000
Revenue Refunding Bonds:						
2000 Series A	13,365,000	-	(390,000)	-	12,975,000	410,000
Developer Agreements:						
Wal-Mart Stores, Inc.	263,362	-	(203,142)	(60,220)	-	-
Oak Grove Equities	2,393,231	104,146	-	(2,497,377)	-	-
Outlet Center	414,172	-	-	(414,172)	-	-
Loan Payable:						
EVMWD Amber Ridge	204,046	-	(53,436)	(150,610)	-	-
Other post-employment						
benefit obligation (Note 17)	2,877,575	2,256,753	(427,567)	-	4,706,761	-
Compensated absences	608,894	35,797	-	-	644,691	64,469
	<u>\$ 145,591,908</u>	<u>\$ 3,623,909</u>	<u>\$ (6,242,626)</u>	<u>\$ (63,044,262)</u>	<u>\$ 79,928,929</u>	<u>\$ 3,339,469</u>

(a) The transfers relate to the transfer of long-term liabilities to the Successor Agency from the former the redevelopment Agency. See Notes 20 and 21 for additional information.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds:

In February 1990, the Public Financing Authority was authorized to issue \$500,000,000 in revenue bonds for the purpose of enabling the Public Financing Authority to acquire certain qualified obligations (the Local Obligations) of the City or the former Redevelopment Agency for whose benefit the program has been designed, or of any other local agencies in the State of California, including Community Facilities District and Special Assessment District (the Local Agencies). The Bonds were issued to provide funds to finance the acquisition or construction of land, buildings, equipment and other capital improvements. The Bonds will constitute special obligations of the Public Financing Authority and will be issued in Series from time to time pursuant to Supplemental Indentures. These bonds will be payable solely from the repayment by Local Agencies of their obligations and any available surplus revenues.

1996 Series E

In March 1996, \$1,750,000 principal amount of 1996 Local Agency Revenue Bonds, Series E, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$15,000 to \$135,000 from October 1, 1997 through October 1, 2026; interest at 5.25% to 7.50%. The bonds maturing on or before October 1, 2005, are not subject to optional redemption prior to maturity. The bonds maturing on or after October 1, 2006 are subject to redemption under certain circumstances, at the option of the Authority, from funds deposited in the Series E redemption account on or after October 1, 2005, at a specified redemption price together with accrued interest. The Series E Bonds are also subject to special mandatory redemption on various specified dates at specified redemption prices under certain circumstances, as provided in the Bond Indenture Agreement. The 1996 Series E Local Agency Revenue Bonds were refunded by the 2011 Series B Local Agency Revenue Bonds in November 2011 and retired in December 2011.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

1999 Series G

In February 1999, \$4,035,000 principal amount of 1999 Local Agency Revenue Bonds, Series G, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$165,000 to \$370,000 from September 2, 2000 through September 2, 2015; interest at 5.00% to 5.80%. The bonds are subject to call and redemption prior to their stated maturity commencing September 2, 2008 at specified redemption prices. At June 30, 2012, the Agency has a cash reserve balance for debt service of \$118,517, which is sufficient to cover the Bond Indenture Reserve Requirement of \$118,500.

Future debt requirements for the 1999 Series G Local Agency Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 275,000	\$ 60,755	\$ 335,755
2014	285,000	44,515	329,515
2015	305,000	27,405	332,405
2016	<u>320,000</u>	<u>9,280</u>	<u>329,280</u>
Totals	<u>\$ 1,185,000</u>	<u>\$ 141,955</u>	<u>\$ 1,326,955</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

2003 Series H

In February 2003, \$31,570,000 principal amount of 2003 Local Agency Revenue Bonds, Series H, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$375,000 to \$1,850,000 from October 1, 2003 through October 1, 2033; interest at 2.75% to 6.375%. The bonds are subject to mandatory redemption, without premium, prior to their maturity dates commencing October 1, 2014 in the case of bonds maturing October 1, 2015, October 1, 2016 in the case of bonds maturing October 1, 2020, October 1, 2021 in the case of bonds maturing October 1, 2026, and October 1, 2027 in the case of bonds maturing October 1, 2033, from Sinking Account payments under the indentures. The bonds are subject to optional redemption prior to maturity in a manner determined by the Authority on October 1, 2013, and on any date thereafter at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a specified premium. At June 30, 2012, the Authority has a cash reserve balance for debt service of \$2,636,785, which is sufficient to cover the Bond Indenture Reserve Requirement of \$2,636,508.

Future debt requirements for the 2003 Series H Local Agency Revenue Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 940,000	\$ 1,583,519	\$ 2,523,519
2014	1,055,000	1,531,737	2,586,737
2015	1,160,000	1,472,144	2,632,144
2016	1,280,000	1,405,044	2,685,044
2017	1,165,000	1,334,894	2,499,894
2018 - 2022	6,660,000	5,431,900	12,091,900
2023 - 2027	4,055,000	3,915,000	7,970,000
2028 - 2032	6,580,000	2,253,562	8,833,562
2033 - 2034	<u>3,545,000</u>	<u>230,934</u>	<u>3,775,934</u>
Totals	<u>\$ 26,440,000</u>	<u>\$ 19,158,734</u>	<u>\$ 45,598,734</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

2008 Series A

In January 2008, \$22,295,000 principal amount of 2008 Local Agency Revenue Bonds, Series A, was issued in accordance with the indenture described above. The bonds were issued to refund the 1997 Local Agency Revenue Bonds. The bonds are due in annual installments of \$940,000 to \$2,520,000 from September 1, 2008 through September 1, 2020; interest at 3.5% to 4.3%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2008 at specified redemption prices. At June 30, 2012, the Authority has a cash reserve balance for debt service of \$1,114,940, which is sufficient to cover the Bond Indenture Reserve Requirement of \$1,114,750.

Future debt requirements for the 2008 Series A Local Agency Revenue Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,425,000	\$ 643,948	\$ 2,068,948
2014	1,515,000	588,710	2,103,710
2015	1,620,000	526,010	2,146,010
2016	1,720,000	459,210	2,179,210
2017	1,830,000	388,210	2,218,210
2018 -2021	<u>8,635,000</u>	<u>731,215</u>	<u>9,366,215</u>
Totals	<u>\$ 16,745,000</u>	<u>\$ 3,337,303</u>	<u>\$ 20,082,303</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

2008 Series B

In March 2008, \$3,265,000 principal amount of 2008 Local Agency Revenue Bonds, Series B, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$5,000 to \$285,000 from September 1, 2012 through September 1, 2038. Interest payments ranging from 4.5% to 6.875% are due from September 1, 2008 through September 1, 2038. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2008 at specified redemption prices. At June 30, 2012, the Authority has a cash reserve balance for debt service of \$308,896, which is sufficient to cover the Bond Indenture Reserve Requirement of \$308,844.

Future debt requirements for the 2008 Series B Local Agency Revenue Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,000	\$ 220,374	\$ 225,374
2014	10,000	220,024	230,024
2015	15,000	219,430	234,430
2016	20,000	218,573	238,573
2017	30,000	217,308	247,308
2018 -2022	245,000	1,052,947	1,297,947
2023 - 2027	490,000	935,000	1,425,000
2028 - 2032	795,000	712,766	1,507,766
2033 - 2037	1,100,000	390,156	1,490,156
2038 - 2039	<u>555,000</u>	<u>38,672</u>	<u>593,672</u>
Totals	<u>\$ 3,265,000</u>	<u>\$ 4,225,250</u>	<u>\$ 7,490,250</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

2010 Series A

In November 2010, \$7,430,000 principal amount of 2010 Local Agency Revenue Bonds, Series A, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$10,000 to \$735,000 from September 1, 2013 through September 1, 2040; interest at 3.25% to 6.25%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2013 at specified redemption prices. At June 30, 2012, the Authority has a cash reserve balance for debt service of \$743,126, which is sufficient to cover the Bond Indenture Reserve Requirement of \$743,000.

Future debt requirements for the 2010 Series A Local Agency Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 447,138	\$ 447,138
2014	10,000	446,975	456,975
2015	20,000	446,463	466,463
2016	25,000	445,644	470,644
2017	40,000	444,375	484,375
2018 -2022	380,000	2,180,450	2,560,450
2023 - 2027	780,000	2,032,522	2,812,522
2028 - 2032	1,365,000	1,727,491	3,092,491
2033 - 2037	2,210,000	1,182,812	3,392,812
2038 - 2041	<u>2,600,000</u>	<u>342,187</u>	<u>2,942,187</u>
Totals	<u>\$ 7,430,000</u>	<u>\$ 9,696,057</u>	<u>\$ 17,126,057</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

2011 Series A

In June 2011, \$5,365,000 principal amount of 2011 Local Agency Revenue Bonds, Series A, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$135,000 to \$370,000 from September 1, 2012 through September 1, 2038; interest at 3.0% to 6.125%. The bonds are subject to call and redemption on and after their stated maturity commencing September 1, 2016 at redemption price equal to principal amount. At June 30, 2012, the Authority has a cash reserve balance for debt service of \$427,588, which is sufficient to cover the Bond Indenture Reserve Requirement of \$427,175.

Future debt requirements for the 2011 Series A Local Agency Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 135,000	\$ 285,925	\$ 420,925
2014	140,000	281,800	421,800
2015	145,000	277,525	422,525
2016	145,000	273,175	418,175
2017	155,000	268,287	423,287
2018 -2022	865,000	1,234,969	2,099,969
2023 - 2027	1,100,000	972,662	2,072,662
2028 - 2032	1,470,000	596,463	2,066,463
2033 - 2037	995,000	169,209	1,164,209
2038 - 2039	<u>215,000</u>	<u>13,322</u>	<u>228,322</u>
Totals	<u>\$ 5,365,000</u>	<u>\$ 4,373,337</u>	<u>\$ 9,738,337</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

2011 Series B

In November 2011, \$1,405,000 principal amount of 2011 Local Agency Revenue Bonds, Series B, was issued in accordance with the indenture described above. The bonds are due in annual installments of \$75,000 to \$120,000 from October, 2012 through October, 2026; interest at 1.75% to 5.50%. The bonds are subject to call and redemption on and after their stated maturity commencing October 1, 2018 at redemption price equal to principal amount. At June 30, 2012, the Authority has a cash reserve balance for debt service of \$139,113, which is sufficient to cover the Bond Indenture Reserve Requirement of \$139,113.

Future debt requirements for the 2011 Series A Local Agency Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 85,000	\$ 61,594	\$ 146,594
2014	75,000	59,912	134,912
2015	80,000	57,874	137,874
2016	75,000	55,556	130,556
2017	80,000	52,838	132,838
2018 -2022	460,000	207,031	667,031
2023 - 2027	<u>550,000</u>	<u>76,738</u>	<u>626,738</u>
Totals	<u>\$ 1,405,000</u>	<u>\$ 571,543</u>	<u>\$ 1,976,543</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

B. Revenue Refunding Bonds:

2000 Series A

In July 2000, \$15,660,000 principal amount of Revenue Refunding Bonds, Series A, was issued in accordance with the indenture to advance refund 1997 Revenue Bonds, Series A, whose proceeds were to provide funds to finance the Authority's lease of certain City recreation facilities from the City for lease back to the City. The term bonds are due in annual installments of \$285,000 to \$960,000 from February 1, 2005 through February 1, 2032; interest is variable. The bonds are subject to call and redemption prior to their stated maturity commencing February 1, 2002, at specified redemption prices.

Future debt requirements for the 2000 Series A Revenue Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest *	Total
2013	\$ 410,000	\$ 9,083	\$ 419,083
2014	430,000	8,795	438,795
2015	450,000	8,495	458,495
2016	470,000	8,179	478,179
2017	490,000	7,851	497,851
2018 - 2022	2,805,000	33,792	2,838,792
2023 - 2027	3,515,000	23,026	3,538,026
2028 - 2032	<u>4,405,000</u>	<u>9,524</u>	<u>4,414,524</u>
Totals	<u>\$ 12,975,000</u>	<u>\$ 108,745</u>	<u>\$ 13,083,745</u>

* Interest on the bonds is payable on the first of each month, so long as the bonds bear interest at a variable interest rate, and after conversion to a fixed rate, interest will be payable on February 1 and August 1 of each year. The amount of the payments are not yet known due to the variable interest rate which is calculated weekly. For purposes of this schedule, the interest rate at June 30, 2012 of 0.07% was used to calculate the future interest payments.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

C. Other Post-Employment Benefit Obligation:

Other post-employment benefit obligation is not expected to be funded with current resources and has been reported as a liability of the governmental activities.

D. Compensated Absences:

Compensated absences are liquidated by the General Fund and are reported as a liability of the governmental activities.

8. LOANS PAYABLE TO PUBLIC FINANCING AUTHORITY:

The City of Lake Elsinore's Public Financing Authority (the "Authority") periodically issued Tax Allocation Revenue Bonds to finance projects of the former Redevelopment Agency of the City of Lake Elsinore ("Agency") and to provide funds for the various debt obligations of the Agency. The proceeds of the bonds were loaned to the former Agency pursuant to loan agreements with the Authority in the principal amount of the bonds. Principal and interest are payable in installment payments not less than three business days prior to the due date on the bonds.

As a result of the dissolution of the Agency, the obligation to pay these loans was transferred to the Successor Agency to the Redevelopment Agency of the City of Lake Elsinore ("Successor Agency"). The loans made from proceeds of the tax allocation bonds issued by the Public Financing Authority are shown as debt of the Successor Agency. Redevelopment agency property tax increment was pledged for payment of the debt issued. The Department of Finance has not objected to these loans as enforceable obligations of the Successor Agency. Redevelopment property tax trust fund monies (formerly known as property tax increment) continues to be distributed to the Successor Agency to pay the debt service on these bonds. The loans payable to the Authority and the corresponding loan receivable in the Public Financing Authority Debt Service Fund are eliminated for the government wide financial statements.

At June 30, 2012, outstanding principal under loan agreements between the Successor Agency and Authority totaled \$58,580,000 based on 2010 Series A, Series B and Series C Tax Allocation Revenue Bonds and the 2011 Series A Tax Allocation Revenue Bonds as described below.

Note 20 has additional information on recent changes affecting California Redevelopment Agencies.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. LOANS PAYABLE TO PUBLIC FINANCING AUTHORITY (CONTINUED):

2010 Series A

In February 2010, \$15,435,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued by the Authority. Concurrently with the issuance of the bonds, the principal amount was loaned to the Agency. The proceeds were used to advance refund \$13,170,000 of outstanding 1999 Series C Tax Allocation Revenue Bonds. The loan is payable in annual installments of \$305,000 to \$2,910,000 from September 1, 2010 through September 1, 2033; interest at 2.00% to 5.25%. The loan balance at June 30, 2012 is \$14,450,000. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$1,472,165 which is sufficient to cover the Bond Indenture Reserve Requirement.

2010 Series B

In May 2010, \$10,855,000 principal amount of Tax Allocation Revenue Bonds, Series B, was issued by the Authority. Concurrently with the issuance of the bonds, the principal amount was loaned to the Agency. The proceeds were used to advance refund \$10,065,000 of outstanding 1995 Series A Tax Allocation Revenue Bonds. The advance refunding resulted in an economic gain of \$757,319 and a decrease in cash flow expenditures of \$893,956. Proceeds from the 2010 Series B bonds were invested in an escrow fund with a trustee, which, together with earnings, will pay interest and principal on the bonds until fully retired. The 1995 Series A bonds are legally defeased and are no longer a liability of the Agency. The Series B loan is payable in annual installments of \$515,000 to \$895,000 from September 1, 2010 through September 1, 2025, and bears interest at 2.00% to 4.75%. The loan balance at June 30, 2012 is \$9,795,000. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$939,698 which is sufficient to cover the Bond Indenture Reserve Requirement.

2010 Series C

In November 2010, \$29,435,000 principal amount of Tax Allocation Revenue Bonds, Series C, was issued by the Authority. Concurrently with the bond issuance, the principal amount was loaned to the Agency. The proceeds were used to advance refund \$27,495,000 of outstanding 1999 Series A Tax Allocation Revenue Bonds. Tax revenues from Project Areas 1 and 2 are pledged for the repayment of the loan. In the event that tax revenues are not sufficient from Project Areas 1 and 2, the Agency covenanted to make interfund loans from Project Area 3 and the Low and Moderate Income Housing Fund to make the loan payment. The loan is payable in annual installments of \$650,000 to \$2,115,000 from September 1, 2011 through September 1, 2030, and bears interest at 2.00% to 5.00%. The loan balance at June 30, 2012 is \$28,785,000. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$2,222,773 which is sufficient to cover the Bond Indenture Reserve Requirement.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. LOANS PAYABLE TO PUBLIC FINANCING AUTHORITY (CONTINUED):

2010 Series C (Continued)

The advance refunding resulted in an economic gain of \$1,653,015 and a decrease in cash flow expenditures of \$2,252,722. Proceeds from the 2010 Series C bonds were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the bonds until fully retired. The 1999 Series A bonds are legally defeased and are no longer a liability of the Agency.

2011 Series A

In January 2011, \$5,550,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued by the Authority. Concurrently with the bond issuance, the principal amount was loaned to the Agency. The proceeds were used to provide funding for a boat launch ramp project benefitting Project Area 1. Tax revenues from Project Area 1 are pledged for repayment of the loan. In the event that tax revenues are not sufficient from Project Area 1, the Agency covenanted to make interfund loans from Project Areas 2 and 3 to make the loan payment. The pledge of Project Area 1 revenues to the loan is on a subordinate basis with respect to the 2010 Series C loan and on a parity basis with the 2010 Series A loan. The loan is payable in annual installments of \$445,000 to \$700,000 from September 1, 2012 through September 1, 2021, bearing interest at 4.00% to 6.00%. The loan balance at June 30, 2012 is \$5,550,000. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$539,715 which is sufficient to cover the Bond Indenture Reserve Requirement.

Future debt requirements for the loans payable to the Public Financing Authority are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,455,000	\$ 2,402,558	\$ 4,857,558
2014	2,520,000	2,333,745	4,853,745
2015	2,590,000	2,262,351	4,852,351
2016	2,660,000	2,187,611	4,847,611
2017	2,745,000	2,105,426	4,850,426
2018 - 2022	15,260,000	8,868,563	24,128,563
2023 - 2027	13,835,000	5,655,348	19,490,348
2028 - 2032	13,145,000	2,602,269	15,747,269
2033 - 2036	<u>3,370,000</u>	<u>177,712</u>	<u>3,547,712</u>
Totals	<u>\$ 58,580,000</u>	<u>\$ 28,595,583</u>	<u>\$ 87,175,583</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

9. SPECIAL ASSESSMENT DISTRICT BONDS:

The payment of these bonds is secured by valid assessment liens upon certain lands in each district and are not direct liabilities of the City. Reserves have been established to meet delinquencies should they occur. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City has used the proceeds of the Local Agency Revenue Bonds to invest in the Special Assessment District Bonds and acts solely as an agent for those paying assessments and the bondholders.

A summary of Special Assessment Bonds outstanding at June 30, 2012, for which the City has no liability or commitment, follows:

	Original Issue <u>Amount</u>	Bonds Outstanding at <u>June 30, 2012</u>
Assessment District No. 86-1 Improvement Bonds	\$ 3,390,514	\$ 1,283,058
Assessment District No. 90-1 A Improvement Bonds	1,780,000	795,000
Assessment District No. 93-1 Refunding Improvement Bonds, Series 2000	19,875,000	<u>16,650,000</u>
Total Assessment District Bonds		<u>\$ 18,728,058</u>

10. COMMUNITY FACILITIES DISTRICT BONDS:

These bonds are authorized pursuant to the Mello-Roos Community Facilities District Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facility Districts according to a methodology approved by the voters within the District and by the City Council of the City of Lake Elsinore. Neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City has used the proceeds of the Local Agency Revenue Bonds to invest in these Community Facilities District Bonds and acts solely as an agency for those paying taxes levied and the bondholders. Therefore, the outstaying balances of these bonds are not reflected in these financial statements.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

10. COMMUNITY FACILITIES DISTRICT BONDS (CONTINUED):

A summary of Mello-Roos Bonds outstanding at June 30, 2012 follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2012
Community Facilities District 90-2 Tuscany Hills Public Improvements 2002 Series	\$ 14,470,000	\$ 6,465,000
Community Facilities District 95-1 Lake Elsinore City Center Public Improvements	1,600,000	1,375,000
Community Facilities District 98-1 Summerhill Public Improvements	17,660,000	17,440,000
Community Facilities District 2003-2 Canyon Hills 2004 Series A	12,235,000	11,735,000
Community Facilities District 2004-3 Rosetta Canyon 2005 Series A	22,635,000	22,055,000
Community Facilities District 2005-1 Serenity 2006 Series A	9,180,000	8,770,000
Community Facilities District 2005-2 Alberhill Ranch 2005 Series A	24,680,000	24,355,000
Community Facilities District 2005-6 City Center Townhomes 2006 Series A	3,525,000	3,475,000
Community Facilities District 90-2 Tuscany Hills Public Improvement 2007 Series A	7,340,000	7,340,000
Community Facilities District 2003-2 Canyon Hills 2006 Series A	20,570,000	20,180,000
Community Facilities District 2004-3 Rosetta Canyon 2006 Series A	23,460,000	23,185,000
Community Facilities District 2006-2 Viscaya 2006 Series A	7,290,000	7,185,000
Community Facilities District 88-3 2008 Series A	24,670,000	18,600,000
Community Facilities District 88-3 2008 Series A - Subordinate	7,175,000	6,325,000
Community Facilities District 2005 Wasson Canyon 2008 Series B	3,265,000	3,265,000
Community Facilities District 2003-2 Canyon Hills 2010 Series A	7,430,000	<u>7,430,000</u>
Total Community Facilities District Bonds		<u>\$ 189,180,000</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

11. MORTGAGE REVENUE BONDS:

The City and Agency have entered into a bond and loan program to assist low and moderate income homebuyers of multi-family residential developments with the City limits. Although the City has arranged the financing program, these debts are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, or any political subdivision of the City, is pledged to repay the indebtedness. Accordingly, since these debts do not constitute an obligation of the City, they are not reflected in the accompanying financial statements.

	Original Issue Amount	Bonds Outstanding at June 30, 2012
Lakeside Village Project - Due January 1, 2031	<u>\$ 5,000,000</u>	<u>\$ 4,043,066</u>

12. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

During the course of normal operations, the City entered into numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying governmental fund financial statements generally reflect such transactions as operating transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. Interfund transactions and interfund receivables/payables at year-end are not eliminated in the governmental fund financial statements.

Due To/From

Due to and from other funds at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Financing Authority	
	Debt Service Fund	\$ 5,737
	Other Governmental Funds	<u>607,249</u>
		<u>\$ 612,986</u>

The General Fund loaned the Public Financing Authority Debt Service Fund and Other Governmental Funds \$5,737 and \$607,249, respectively and the loans were used to provide cash flows for expenditures.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

12. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

Transfers In/Out

The compositions of the City's interfund transfer balances as of June 30, 2012 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 50,000
Other Governmental Funds	General Fund	987,026
	Redevelopment Agency	
	Debt Service Fund	684,405
	Other Governmental Funds	788,182
		<u>\$ 2,509,613</u>

The transfers between the General Fund and the Other Governmental Funds were made to provide cash flows for expenditures. The transfer of \$684,405 between Other Governmental Funds and the Redevelopment Agency Debt Service Fund was made to fund operational and capital projects costs.

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The fund balances reported on the fund statements consist of the following categories:

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

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, which is the City Council.

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - 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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

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, then assigned fund balance, and finally unassigned fund balance.

14. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

It is the City's intention to seek authority from the City Council to realign the current year's budget to reflect priority changes in the goals and objectives of the City. This realignment did not take place in the current year budget; therefore, expenditures exceeded appropriations in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>
Major Fund:		
General Fund - General government	\$ 6,300,767	\$ 6,017,268
Other Governmental Funds:		
City-Wide Lighting and Landscaping Special Revenue Fund	1,496,163	1,275,000
Developer Agreement Revenue/Trust Special Revenue Fund	460	368
Community Center Special Revenue Fund	47,507	32,202
Developer Agreement Special Revenue Fund	460	368
Park Improvement and Development Capital Projects Fund	2,325	-
Public Improvement In-Lieu Capital Projects Fund	10,213	-

The following funds had a deficit fund balance at June 30, 2012. These deficits are expected to be eliminated through future revenues and transfers.

	<u>Amount</u>
Other Governmental Funds:	
Justice Assistance Grant Program Special Revenue Fund	\$ 13,126
Office of Traffic and Safety Special Revenue Fund	19,198
Miscellaneous Grants Special Revenue Fund	815,129
N.P.D.E.S. Special Revenue Fund	24,054
Recreation Authority Debt Service Fund	15,905

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

15. PENSION PLAN:

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the City was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

All full-time City employees are eligible to participate in PERS. Benefits vest after five (5) years of credited service. Employees are eligible for retirement at the age of 55 and are entitled to a monthly benefit of 2.5% of final compensation, the highest average monthly compensation earned during any period of three consecutive years, for each year of service credit. Retirement may begin at age 50 with a reduced benefit rate. PERS also provides death and disability benefits. Upon separation from the plan, members' accumulated contributions are refundable with interest credited through the date of separation. Effective December 7, 2011, employees are eligible for retirement at the age of 60 and are entitled to a monthly benefit of 2.0% based on average monthly compensations earned during the final three years of employment.

Annual Required Contribution

PERS participants are required to contribute on the basis of a percentage of regular earnings. The percentages are set by statute and, therefore, generally remain unchanged from year to year.

The present rates are:

	Member Rates As A Percentage Of Wages
Local Miscellaneous Members	<u>8.00%</u>

For employees who are covered by formulas modified to coordinate with social security, a rate of zero is charged for the first \$133.33 per month.

Also, there is an additional charge for employees covered by the 1959 Survivor Benefit, \$2.00 per covered member per month.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

15. PENSION PLAN (CONTINUED):

Annual Required Contribution (Continued)

The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration. The contribution rates at June 30, 2012, 2011 and 2010 were 20.148%, 16.465% and 16.485%, respectively. The City's contributions to CalPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,060,893, \$922,645 and \$1,022,973, respectively, and were equal to required contributions for each year.

16. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

In addition to providing pension benefits, the City provides post-employment benefits for retired employees. In accordance with City Resolution 89-42 dated September 1989, the City provides health insurance premium costs to qualifying employees. Employees who retire from the City on or after attaining age 55 with at least 5 years of service with the City, qualify to receive the post-employment benefit. The City pays 100% of the retirees' and authorized dependents monthly medical premiums.

Funding Policy

The 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. Currently, contributions are not required from plan members. Contributions are funded on a pay-as-you-go basis. During the fiscal year ended June 30, 2012, the City elected to fund \$427,567 towards the unfunded accrued liability related to this benefit.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years. The ARC for fiscal year 2011-12 was \$1,709,128.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution (ARC)	\$ 1,709,128
Interest on net OPEB obligation	122,297
Adjustment to ARC	<u>-</u>
Annual OPEB cost	1,831,425
Actual contributions made	(427,567)
Adjustment to OPEB	<u>425,328</u>
Increase in net OPEB obligation	1,829,186
Net OPEB Obligation - beginning of year	<u>2,877,575</u>
Net OPEB Obligation - end of year	<u>\$ 4,706,761</u>

Three-Year Trend Information

For fiscal year 2012, the City's annual OPEB cost (expense) of \$1,709,128 was equal to the ARC. Information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation is presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 1,356,199	\$ 317,810	23.43 %	\$ 2,086,786
6/30/11	1,170,664	379,875	32.45 %	2,877,575
6/30/12	1,831,425	427,567	23.35 %	4,706,761

Funded Status and Funding Progress

As of July 1, 2011, the second actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$14,095,692 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,095,692. The covered payroll (annual payroll of active employees covered by the plan) was \$4,220,232 and the ratio of the UAAL to the covered payroll was 334.01%.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the frozen entry age method was used. The actuarial assumptions included a rate of return on assets of 4.25% per annum and a medical cost trend rates ranging from 5.0% to 9.5% for the first four years and an ultimate rate of 5.0% after four years, dental cost trend is 4% per year. The City's unfunded actuarial accrued liability is being amortized by level dollar contributions over twenty years as a level dollar amount.

17. DEFERRED COMPENSATION:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. On August 20, 1996 the provisions of Internal Revenue Code (IRC) Section 457 were amended to require new plans to place all assets and income of the plans in trust for the exclusive benefit of participants and their beneficiaries. Plans in existence as of the date of this change must place the Plan assets and income in trust by January 1, 1999. Once the assets and income are placed in trust the City no longer owns the amounts deferred by employees and related income. Prior to this IRC Section 457 Amendment, the deferred amounts and related income remained as property of the City until withdrawn by the employee.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

17. DEFERRED COMPENSATION (CONTINUED):

During the 1997-98 fiscal year, the City placed its Deferred Compensation Plan assets and related income in trust as allowed by IRC Section 457 and as a result the asset and corresponding liability are no longer presented in these financial statements. This change had no impact on the City's fund equity.

18. LIABILITY, PROPERTY AND PROTECTION:

Description Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance 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 Insurance Authority's pool 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 9-member Executive Committee.

Self-Insurance Programs of the Insurance Authority

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

18. LIABILITY, PROPERTY AND PROTECTION (CONTINUED):

Self-Insurance Programs of the Insurance Authority (Continued)

General Liability Insurance - In the liability program claims are pooled separately between police and non-police 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 \$30,000 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 \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation - In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety 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 \$50,000 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 \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

18. LIABILITY, PROPERTY AND PROTECTION (CONTINUED):

Self-Insurance Programs of the Insurance Authority (Continued)

Workers' Compensation (Continued)

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 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.

Purchased Insurance

Property Insurance - The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. The City's property currently has all-risk property insurance protection in the amount of \$37,073,451. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance - The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retroactive adjustments.

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 2011-2012.

19. LITIGATION:

The City is a defendant in several other pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

20. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27, resulting in the dissolution of all redevelopment agencies on January 31, 2012.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each "Dissolved RDA") was dissolved, and the sponsoring community that formed the Dissolved RDA or a designated local authority became the "Successor Agency" to the Dissolved RDA effective as of February 1, 2012. Each Successor Agency is required to wind down the affairs of the Dissolved RDA. On January 24, 2012, the City elected to serve as the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA, including making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

20. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community did not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets were transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on January 24, 2012 to serve as the Housing Successor Agency.

The activity of the Agency through January 31, 2012 is reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Agency have been transferred to, and are reported in a special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the Agency have been transferred to, and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the Agency as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing Fund, which were transferred to the Low and Moderate Income Housing Asset Special Revenue Fund) to the fiduciary fund is reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the fiduciary private-purpose trust fund (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

20. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 11,708,991
Deferred bond issue costs reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	(2,699,312)
Capital assets reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	(11,508,283)
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	1,154,658
Long-term debt including deferred amount on refunding and bond discounts reported in the government-wide financial statements - decrease to the net assets of the Successor Agency Trust Fund	<u>63,044,262</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ 61,700,316</u>

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (“DOF”) and the California State Controller’s office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the “RPTTF”) for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to distribute to the Successor Agency funds required to pay the amounts due on the Successor Agency’s enforceable obligations for the upcoming six-month period.

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

20. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Successor Agency is required to prepare a recognized obligation payment schedule (“ROPS”) approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period covered by the ROPS (January through June and July through December). The ROPS is submitted to the DOF for approval. Once approved by DOF, the County Auditor-Controller will make disbursements to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The Successor Agency received \$5,403,857 from the County Auditor-Controller on June 8, 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

Under the Dissolution Act, as amended by AB 1484, the process of making RPTTF deposits to be used to pay enforceable obligations of the Agency will continue for so long as the Agency would have been entitled to collect tax increment.

For the period January 1, 2011 through January 31, 2012, the Agency transferred \$441,253 in cash and \$49,437,544 in assets from the Low and Moderate Income Housing Fund to the City’s Low and Moderate Income Housing Asset Special Revenue Fund in accordance with AB 1484 and Health and Safety Code Section 34176(a)(2).

For the period January 1, 2011 through January 31, 2012, the Agency transferred assets of \$12,073,008 from all other funds (excluding the low and moderate income housing fund) to the City of Lake Elsinore other than for payments for goods and services in accordance with applicable law and pursuant to enforceable obligations.

For the period February 1, 2012 through June 30, 2012, the Successor Agency transferred assets of \$3,382,492 from all other funds (excluding the low and moderate income housing fund) to the City of Lake Elsinore other than for payments for goods and services pursuant to enforceable obligations listed on the ROPS and approved by DOF.

AB 1484 required each Successor Agency to perform due diligence reviews to compute the amount of funds held by the Successor Agency which were not needed to pay for enforceable obligations and remit the amounts to the County of Riverside for disbursement to the taxing agencies. The due diligence reviews were performed separately for Low Income Housing Fund and for All Other Funds. The Low Income Housing Fund due diligence review resulted in \$5,650,042 due to the County of Riverside which was paid on November 16, 2012.

The Successor Agency’s due diligence review for All Other Funds showed no balance due to the County of Riverside. DOF approved All Other Funds Due Diligence Review on February 26, 2013, and no funds were required to be transferred to the County of Riverside.

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

20. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The California State Controller has been directed to review the propriety of any transfers of assets between a Dissolved RDA and other public bodies that occurred after January 1, 2011. If the transfers were not made pursuant to an enforceable obligation and the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency. The State Controller has not yet performed such review with respect to the City and the Agency.

21. SUCCESSOR AGENCY DISCLOSURES:

The non-housing assets and liabilities of the former Redevelopment Agency of the City of Lake Elsinore (“Agency”) were transferred to the Successor Agency to the Redevelopment Agency of the City of Lake Elsinore (“Successor 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. Disclosure related to these transactions is as follows:

Loans Payable To City of Lake Elsinore

Loans payable by the Successor Agency at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Successor Agency Private Purpose Trust Fund	\$ 434,897
Low and Moderate Income Housing Asset Special Revenue Fund	Successor Agency Private Purpose Trust Fund	<u>38,536,786</u>
		<u>\$ 38,971,683</u>

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Loans Payable To City of Lake Elsinore (Continued)

1995 Loan From Housing Fund

As of June 30, 2012, the Successor Agency owed the City, in its capacity as housing successor agency, \$34,786,786. The loans were made from the Low and Moderate Income Housing Asset Special Revenue Fund from the 1995 Series A and 1999 Series C bond proceeds pursuant to that certain Housing Fund Loan Agreement dated December 1, 1995. The loan proceeds were deposited into the Rancho Laguna Special Revenue Fund, and then subsequently loaned to each of the three project areas as interfund loans in accordance with the loan agreement. The 1995 Series A and 1999 Series C bonds were refunded in fiscal year 2010 with the issuance of the 2010 Series A and 2010 Series B bonds. The loans payable include an original principal amount of \$18,040,438 and accrued interest of \$16,746,348. The loans from the Low and Moderate Income Housing Asset Special Revenue Fund are repayable from all available revenues of the Successor Agency after payment of senior indebtedness in accordance with the governing loan agreement.

The issuer of the bonds sought court validation of the actions taken in connection with the 1995 Bonds under Code of Civil Procedure section 869, et seq. On November 14, 1995, the Superior Court of the State of California in and for the County of Riverside validated the 1995 bond issues and the interfund and housing fund loan agreements relating to payment of the bond debt.

DOF has audited the 1995 Loan From Housing Fund as part of its review of the ROPS, and has not objected to the Successor Agency's repayment of the loan in accordance with the approved ROPS and applicable loan agreement.

SERAF Advances

Advances due to the City, in its capacity as housing successor agency, include the amount of \$3,750,000 loaned a result of the suspension of a portion of the 20% set aside requirement to assist in the payment of the SERAF obligation for fiscal year 2010. This advance is to be repaid in installments beginning fiscal year 2014-2015. Repayment of the SERAF advances are limited by a formula set forth in AB 1484, have a priority over repayment of certain other advances, and shall not be made prior to the 2013-2014 fiscal year.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Loans Payable To City of Lake Elsinore (Continued)

City Bond Debt Service Advances

Of the \$434,897 due to the City General Fund, \$146,069 constitutes advances made pursuant to an Agreement Regarding Advances dated as of July 1, 2000 between the Agency and the City. Payments are payable from all available surplus revenues of the Successor Agency after scheduled debt service on bonded indebtedness of the Successor Agency in accordance with the Agreement Regarding Advances.

DOF has audited the City Bond Debt Service Advances as part of its review of the ROPS, and has not objected to the Successor Agency's repayment of the loan in accordance with the approved ROPS and applicable loan agreement.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. Accordingly, the City has not recorded an allowance for uncollectible advances. DOF has audited the 1995 Loan From Housing Fund and the City Bond Debt Service Advances as part of its review of the ROPS, and has not objected to the Successor Agency's repayment of those loans in accordance with the approved ROPS and applicable loan agreements.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Capital Assets

Capital asset activity for the period from February 1, 2012 through June 30, 2012 was as follows:

	Transfers (a) Feb. 1, 2012	Additions	Deletions	Balance at June 30, 2012
Capital assets, not depreciated:				
Land	\$ 2,426,392	\$ -	\$ -	\$ 2,426,392
Construction in progress	-	-	-	-
Total capital assets, not depreciated	<u>2,426,392</u>	<u>-</u>	<u>-</u>	<u>2,426,392</u>
Capital assets, depreciated:				
Building and structures	14,251,444	-	-	14,251,444
Improvements other than buildings	349,940	-	-	349,940
Machinery and equipment	972,376	-	-	972,376
Furniture and fixtures	<u>996</u>	<u>-</u>	<u>-</u>	<u>996</u>
Total capital assets, depreciated	<u>15,574,756</u>	<u>-</u>	<u>-</u>	<u>15,574,756</u>
Less accumulated depreciation for:				
Building and structures	(5,335,487)	(151,680)	-	(5,487,167)
Improvements other than buildings	(184,006)	(5,832)	-	(189,838)
Machinery and equipment	(972,376)	-	-	(972,376)
Furniture and fixtures	<u>(996)</u>	<u>-</u>	<u>-</u>	<u>(996)</u>
Total accumulated depreciation	<u>(6,492,865)</u>	<u>(157,512)</u>	<u>-</u>	<u>(6,650,377)</u>
Total capital assets, depreciated, net	<u>9,081,891</u>	<u>(157,512)</u>	<u>-</u>	<u>8,924,379</u>
Capital assets, net	<u>\$ 11,508,283</u>	<u>\$ (157,512)</u>	<u>\$ -</u>	<u>\$ 11,350,771</u>

(a) The transfers relate to the transfer of capital assets from the former Lake Elsinore Redevelopment Agency to the Successor Agency. See Note 20 for additional information.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities

	<u>Date of Issue</u>	<u>Years of Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized</u>
Tax Allocation				
Revenue Bonds:				
2010 Series A	2/10	2010-2033	2.00% - 5.25%	\$ 15,435,000
2010 Series B	5/10	2010-2025	2.00% - 4.75%	10,855,000
2010 Series C	10/10	2011-2030	2.00% - 5.00%	29,435,000
2011 Series A	1/11	2012-2021	4.00% - 6.00%	5,550,000
Subordinate Tax				
Allocation Revenue				
Bonds:				
2011 Series Project Area II	4/11	2011-2038	various	3,260,000
2011 Series Project Area III	4/11	2011-2038	various	1,350,000
Developer Agreements:				
Wal-Mart Stores, Inc.	3/93	1995-2014	7.00%	2,200,000
Oak Grove Equities	3/93	1995-2014	7.00%	1,800,000
Outlet Center	12/89	1996-2015	N/A	2,140,000
Loans Payable:				
EVMWD Amber Ridge	2/95	1999-2014	2.70% - 6.00%	867,574

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

Long-term liability activity for the period from February 1, 2012 through June 30, 2012 was as follows:

	Transfers (a)			Outstanding	Due	Due in
	Feb. 1, 2012	Additions	Retirements	June 30, 2012	Within One Year	More Than One Year
Tax Allocation Revenue Bonds:						
2010 Series A	\$ 14,450,000	\$ -	\$ -	\$ 14,450,000	\$ 310,000	\$ 14,140,000
2010 Series B	9,795,000	-	-	9,795,000	560,000	9,235,000
2010 Series C	28,785,000	-	-	28,785,000	1,140,000	27,645,000
2011 Series A	5,550,000	-	-	5,550,000	445,000	5,105,000
Subordinate Tax Allocation Bonds:						
2011 Series Project Area II	3,260,000	-	-	3,260,000	70,000	3,190,000
2011 Series Project Area III	1,350,000	-	-	1,350,000	20,000	1,330,000
	63,190,000	-	-	63,190,000	2,545,000	60,645,000
Add (less) deferred amounts:						
On refunding	(2,540,340)	-	56,095	(2,484,245)	-	(2,484,245)
Discount on bonds	(727,777)	-	19,469	(708,308)	-	(708,308)
	59,921,883	-	75,564	59,997,447	2,545,000	57,452,447
Developer Agreements:						
Wal-Mart Stores, Inc.	60,220	-	(60,220)	-	-	-
Oak Grove Equities	2,497,377	-	-	2,497,377	-	2,497,377
Outlet Center	414,172	-	(119,075)	295,097	119,075	176,022
Loan Payable:						
EVMWD Amber Ridge	150,610	-	-	150,610	55,412	95,198
	<u>\$ 63,044,262</u>	<u>\$ -</u>	<u>\$ (103,731)</u>	<u>\$ 62,940,531</u>	<u>\$ 2,719,487</u>	<u>\$ 60,221,044</u>

(a) The transfers relate to the transfer of long-term liabilities from the former the redevelopment agency. The Successor Agency of the Lake Elsinore Redevelopment Agency has assumed these liabilities as a result of the dissolution of the Redevelopment Agency. See Note 20 for additional information.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

A. Tax Allocation Revenue Bonds:

2010 Series A

In February 2010, \$15,435,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued. The term bonds are due in annual installments of \$305,000 to \$2,910,000 from September 1, 2010 through September 1, 2033; interest at 2.00% to 5.25%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2024, at specified redemption prices. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$1,472,165, which is sufficient to cover the Bond Indenture Reserve Requirement of \$1,459,146.

Future debt requirements for the 2010 Series A Tax Allocation Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 310,000	\$ 679,081	\$ 989,081
2014	315,000	669,707	984,707
2015	325,000	660,106	985,106
2016	330,000	651,106	981,106
2017	345,000	641,806	986,806
2018 - 2022	1,895,000	3,019,578	4,914,578
2023 - 2027	2,330,000	2,566,963	4,896,963
2028 - 2032	5,230,000	1,823,062	7,053,062
2033	<u>3,370,000</u>	<u>177,713</u>	<u>3,547,713</u>
Totals	<u>\$ 14,450,000</u>	<u>\$ 10,889,122</u>	<u>\$ 25,339,122</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

A. Tax Allocation Revenue Bonds (Continued):

2010 Series B

In May 2010, \$10,855,000 principal amount of Tax Allocation Revenue Bonds, Series B, was issued. The term bonds are due in annual installments of \$515,000 to \$895,000 from September 1, 2010 through September 1, 2025; interest at 2.00% to 4.75%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2019, at specified redemption prices. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$939,698, which is sufficient to cover the Bond Indenture Reserve Requirement of \$939,538.

Future debt requirements for the 2010 Series B Tax Allocation Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 560,000	\$ 371,050	\$ 931,050
2014	575,000	354,025	929,025
2015	590,000	336,550	926,550
2016	610,000	318,550	928,550
2017	630,000	299,950	929,950
2018 - 2022	3,475,000	1,141,387	4,616,387
2023 - 2026	<u>3,355,000</u>	<u>320,175</u>	<u>3,675,175</u>
Totals	<u>\$ 9,795,000</u>	<u>\$ 3,141,687</u>	<u>\$ 12,936,687</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

A. Tax Allocation Revenue Bonds (Continued):

2010 Series C

In October 2010, \$29,435,000 principal amount of Tax Allocation Revenue Bonds, Series C, was issued. The term bonds are due in annual installments of \$650,000 to \$2,115,000 from September 1, 2011 through September 1, 2030; interest at 2.00% to 5.00%. The bonds are subject to call and redemption on or after their stated maturity commencing September 1, 2020, at redemption price equal to principal amount. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$2,222,773, which is sufficient to cover the Bond Indenture Reserve Requirement of \$2,222,395.

Future debt requirements for the 2010 Series C Tax Allocation Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,140,000	\$ 1,065,814	\$ 2,205,814
2014	1,165,000	1,042,764	2,207,764
2015	1,190,000	1,019,214	2,209,214
2016	1,215,000	994,404	2,209,404
2017	1,240,000	965,995	2,205,995
2018 - 2022	6,770,000	4,219,084	10,989,084
2023 - 2027	8,150,000	2,768,211	10,918,211
2028 - 2031	<u>7,915,000</u>	<u>779,206</u>	<u>8,694,206</u>
Totals	<u>\$ 28,785,000</u>	<u>\$ 12,854,692</u>	<u>\$ 41,639,692</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

A. Tax Allocation Revenue Bonds (Continued):

2011 Series A

In January 2011, \$5,550,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued. The term bonds are due in annual installments of \$445,000 to \$700,000 from September 1, 2012 through September 1, 2021; interest at 4.00% to 6.00%. The bonds are subject to call and redemption on and after their stated maturity commencing September 1, 2016, at redemption price equal to principal amount. At June 30, 2012, the Successor Agency has a cash reserve balance for debt service of \$539,715, which is sufficient to cover the Bond Indenture Reserve Requirement of \$539,623.

Future debt requirements for the 2011 Series A Tax Allocation Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 445,000	\$ 286,613	\$ 731,613
2014	465,000	267,250	732,250
2015	485,000	246,481	731,481
2016	505,000	223,550	728,550
2017	530,000	197,675	727,675
2018 - 2022	<u>3,120,000</u>	<u>488,512</u>	<u>3,608,512</u>
Totals	<u>\$ 5,550,000</u>	<u>\$ 1,710,081</u>	<u>\$ 7,260,081</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

B. Subordinate Tax Allocation Revenue Bonds:

2011 Series Project Area II

In April 2011, \$3,260,000 principal amount of Subordinate Tax Allocation Revenue Bonds, Series 2011 Project Area II was issued to reimburse infrastructure costs to McMillin Summerly LLP under an Amended and Restated Disposition and Development Agreement dated March 8, 2011. The bonds were issued as a private placement offering to the developer. In connection with the bonds, the Agency has entered into a loan agreement with the Lake Elsinore Public Financing Authority to provide for funds for the Agency to purchase the bonds held by the developer. The term bonds are due in annual installments of \$70,000 to \$285,000 from September 1, 2012 through September 1, 2033; interest at 3.60% to 7.65%. The bonds are subject to call and redemption prior to their stated maturity at specified redemption prices.

Future debt requirements for the Subordinate Tax Allocation Revenue Bonds Series 2011 Project Area II are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 70,000	\$ 234,055	\$ 304,055
2014	75,000	231,107	306,107
2015	80,000	227,380	307,380
2016	80,000	223,180	303,180
2017	85,000	218,597	303,597
2018 - 2022	520,000	995,125	1,515,125
2023 - 2027	735,000	767,104	1,502,104
2028 - 2032	1,065,000	425,914	1,490,914
2033 - 2034	<u>550,000</u>	<u>42,840</u>	<u>592,840</u>
Totals	<u>\$ 3,260,000</u>	<u>\$ 3,365,302</u>	<u>\$ 6,625,302</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

B. Subordinate Tax Allocation Revenue Bonds (Continued):

2011 Series Project Area III

In April 2011, \$1,350,000 principal amount of Subordinate Tax Allocation Revenue Bonds, Series 2011 Project Area III was issued to reimburse infrastructure costs to McMillin Summerly LLP under an Amended and Restated Disposition and Development Agreement dated March 8, 2011. The bonds were issued as a private placement offering to the developer. In connection with the bonds, the Agency has entered into a loan agreement with the Lake Elsinore Public Financing Authority to provide for funds for the Agency to purchase the bonds held by the developer. The term bonds are due in annual installments of \$20,000 to \$110,000 from September 1, 2012 through September 1, 2038; interest at 3.60% to 7.75%. The bonds are subject to call and redemption prior to their stated maturity at specified redemption prices.

Future debt requirements for the Subordinate Tax Allocation Revenue Bonds Series 2011 Project Area III are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 20,000	\$ 99,597	\$ 119,597
2014	20,000	98,788	118,788
2015	20,000	97,827	117,827
2016	20,000	96,778	116,778
2017	25,000	95,525	120,525
2018 - 2022	140,000	450,613	590,613
2023 - 2027	195,000	389,681	584,681
2028 - 2032	285,000	298,646	583,646
2033 - 2037	410,000	167,640	577,640
2038 - 2039	<u>215,000</u>	<u>16,856</u>	<u>231,856</u>
Totals	<u>\$ 1,350,000</u>	<u>\$ 1,811,951</u>	<u>\$ 3,161,951</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

C. Developer Agreements:

The former Redevelopment Agency of the City of Lake Elsinore (“Agency”) entered into several developer agreements to attract new business to the City. The following represents the Agency’s significant commitments with certain developers:

Wal-Mart Stores, Inc.

On March 12, 1993, the Agency entered into a Disposition and Development Agreement with Wal-Mart Stores, Inc. The Agency agreed to purchase Wal-Mart property through the payment of a \$2,200,000 loan from Wal-Mart Stores, Inc. The \$2,200,000 accrues interest at 7.00% per annum. Installment payments are made each year on January 30th for approximately 20 years, continuing 19 years after the first installment date. Installment payments are calculated to be (1) in the amount of 100% of the sales tax in excess of \$200,000, but not to exceed \$200,000 and (2) 50% of the amount of any additional sales tax received in excess of \$400,000. Sales tax is not pledged for repayment. The obligation is a general obligation of the Agency and tax increment is not specifically pledged. The obligation was paid in full as of June 30, 2012.

Oak Grove Equities

On March 12, 1993, the Agency entered into an Owner Participation Agreement with Oak Grove Equities. The Agency agreed to reimburse the developer \$1,800,000 for certain public improvements that were installed at the Lake Elsinore City Center. The \$1,800,000 accrues interest at 7.00% per annum. Installment payments are to be made each year on January 30th for approximately 20 years, continuing 19 years after the first installment date. Installment payments are calculated to be (1) in the amount of 100% of the sales tax in excess of \$200,000, but not to exceed \$200,000 and (2) 50% of the amount of any additional sales tax received in excess of \$400,000. Sales tax is not pledged for repayment. The obligation is a general obligation of the Agency and tax increment is not specifically pledged. As of June 30, 2012, the Successor Agency has set aside \$2,497,377 for payment to Oak Grove Equities in accordance with the Agreement, which amount is included in long-term obligations. Any unpaid obligation on the 20th payment date, which is January 31, 2016, is to be forgiven and discharged.

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

C. Developer Agreements (Continued):

Outlet Center

The Agency entered into an Owner Participation Agreement with NG/Chelsea Lake Elsinore Limited Partnership pertaining to the development of a factory retail outlet. The factory outlet center is located in Redevelopment Project Area 1. Pursuant to the Agreement, the Agency is required to pay the annual special assessment levied by Assessment District 86-1. The bonds issued by Assessment District 86-1 mature in the year 2015 and the annual special assessment is approximately \$108,000. As of June 30, 2012, the Successor Agency has set aside \$295,097 for payment in accordance with the Agreement, which is included in long-term obligations.

McMillin Summerly LLC

On or about December 26, 2002, the Agency entered into a Disposition and Development Agreement (DDA) with Laing CP Lake Elsinore LLC and Civic Partners Elsinore LLC, as developer and master developer, respectively, covering an area of approximately 3,000 acres located in Project Areas II and III. As a result of the bankruptcy of the managing member of Laing CP Lake Elsinore LLC, Bank of America foreclosed on the property subject to the DDA. Subsequently, Bank of America transferred the ownership of the property subject to DDA to McMillin Summerly LLC, who assumed the rights and obligations of the developer under the DDA pursuant to an Amended and Restated DDA entered into as of March 8, 2011. In the DDA, the Agency pledged 100% of the net tax increment generated by the property subject to the DDA to the developer and master developer, excluding, without limitation, moneys to be set aside in the former low and moderate income housing fund and funds payable under pass through agreements.

As of June 30, 2012, the Successor Agency has set aside \$1,027,826 for payment to the developer and master developer when due pursuant to the terms of the DDA. These liabilities are presented as part of accounts payable in the Successor Agency Private Purpose Trust Fund. A portion of the tax increment pledge reimburses the developer for construction of certain extraordinary infrastructure associated with the project. Developer's reimbursement for construction of certain extraordinary infrastructure is limited to \$19,000,000, as adjusted in accordance with the terms of the DDA. The Agency issued two subordinate tax allocation bonds 2011 Series totaling \$4,610,000, the proceeds of which are used to reimburse the developer for construction of certain extraordinary infrastructure. Any unpaid reimbursement of extraordinary infrastructure is to be forgiven upon the expiration of the Agency's right to receive tax increment under its Redevelopment Plans for Project Areas II and III. The DDA prohibits further bonded indebtedness secured by tax increment generated by the project site, other than for specified project purposes.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long Term Liabilities (Continued)

D. Loans Payable:

Elsinore Valley Municipal Water District (EVMWD) - Amber Ridge

In February 1995, the City and the Agency entered into an agreement with the EVMWD whereby the Agency agreed to reimburse EVMWD's annual loan payment related to project costs of the EVMWD and a loan payable to the State Water Resources Control Board. The Agency's annual installments of \$60,740 are due July 1, 1999 to July 1, 2014, and includes interest calculated from 2.70% to 6.00%.

Future debt requirements for the loans are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 55,412	\$ 5,328	\$ 60,740
2014	57,474	3,266	60,740
2015	<u>37,724</u>	<u>1,113</u>	<u>38,837</u>
Totals	<u>\$ 150,610</u>	<u>\$ 9,707</u>	<u>\$ 160,317</u>

Commitments and Contingencies

The Successor Agency has succeeded to the rights and obligations of the former Redevelopment Agency. The following represents the Successor Agency's significant commitments:

Lake Elsinore Stadium

The Successor Agency has succeeded to the Agency as the owner of Diamond Stadium. Diamond Stadium will require significant capital maintenance in future years. In addition, the Successor Agency will incur costs to operate and regularly maintain the Stadium. The cost of ongoing operation and maintenance of the Stadium will vary based on how long the Successor Agency owns the Stadium, how much costs to operate and maintain the Stadium vary over time, and what kind of capital outlay is required over time to maintain the Stadium in its current condition. Capital expenses could be substantial and cannot be estimated at this time.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

22. JOINT POWERS AGREEMENTS:

- a. On March 28, 2000, the City agreed to enter into a joint powers agreement under Proposition 13 with Elsinore Valley Municipal Water District and the Santa Ana Watersheds Project Authority to form the Lake Elsinore and San Jacinto Watersheds Authority. The Authority is due to receive \$15 million in Proposition 13 water bond proceeds to improve the Lake Elsinore and San Jacinto Watersheds Authority lake water quality. As of June 30, 2012, the Authority had minimal activity and according to the criteria in Note 1A, the Authority is not included in these financial statements.
- b. In November 2010, the City agreed to enter into a joint powers agreement with the County of Riverside, City of Canyon Lake, City of Murrieta, City of Temecula and City of Wildomar to form the Southwest Communities Financing Authority (the Authority) to provide animal shelter services. The City contributes a prorated share of the Authority's debt service payments, costs of administrative services and operation of animal shelter. The City does not have measurable equity interest in the Authority. According to criteria in Note 1A, the Authority is not included in these financial statements.
- c. In January 2004, the City entered into a joint powers agreement with the County of Riverside, the Cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto and Temecula to form the Western Riverside County Regional Conservation Authority (the Conservation Authority). The purposes of the Conservation Authority are to acquire, administer, operate and maintain land and facilities for ecosystem conservation and habitat reserve for certain endangered species. The City's contributions to the Conservation Authority consist of a development mitigation fee imposed on all new development. The City does not have measurable equity interest in the Conservation Authority. According to criteria in Note 1A, the Conservation Authority is not included in these financial statements.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUBSEQUENT EVENTS:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 27, 2013, the date the financial statements were available to be issued.

In December 2012, the Lake Elsinore Public Financing Authority issued \$5,345,000 Local Agency Revenue Bonds to acquire local obligations to acquire the City of Lake Elsinore Community Facilities District No. 2003-02 (Canyon Hills) Special Tax Bonds, 2012 Series to be issued by the City of Lake Elsinore Community Facilities District No. 2003-2 for the benefit of Improvement Area C. The bonds bear interest at 2.0% to 4.75% with bonds maturing annually on September 1 annually through 2042.

In November 2012, the Lake Elsinore Public Financing Authority issued \$15,435,000 Local Agency Revenue Bonds to acquire local obligations to acquire the City of Lake Elsinore Assessment District 93-1 (Assessment District 93-1) Limited Obligation Refunding Improvement Bonds, 2012 Series A issued by the Assessment District 93-1 to refund the 2000 Assessment District 93-1 Bonds outstanding in the amount of \$16,650,000.. The bonds bear interest at 2.0% to 5.125% with bonds maturing annually on September 1 annually through 2030.

In July 2012, the Lake Elsinore Public Financing Authority issued \$3,450,000 Local Agency Revenue Bonds to acquire the City of Lake Elsinore Community Facilities District (Villages at Wasson Canyon) 2005-5 (CFD 2005-5) Special Tax Bonds, 2012 Series A issued by the CFD 2005-5 to redeem the CFD 2005-5 2008 Series B Bonds outstanding in the amount of \$3,265,000. The bonds bear interest at 1.5% to 5.25% with bonds maturing annually on September 1 annually through 2038.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE ELSINORE

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2012

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
7/1/2008	\$ 8,791,806	\$ -	\$ 8,791,806	0.00%	\$ 5,280,551	166.49%
7/1/2011	\$ 14,095,692	\$ -	\$ 14,095,692	0.00%	\$ 4,220,232	334.00%

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

BUDGETARY COMPARISON SCHEUDLE

GENERAL FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 5,745,000	\$ 5,541,737	\$ 5,287,580	\$ (254,157)
Other taxes	9,377,000	9,510,000	9,911,400	401,400
Licenses, permits and fees	1,665,050	1,608,027	1,660,973	52,946
Intergovernmental revenues	284,307	125,457	128,322	2,865
Charges for services	1,601,490	1,640,058	1,374,351	(265,707)
Fines, forfeitures and penalties	462,000	1,312,000	1,530,221	218,221
Investment income	267,375	267,375	242,769	(24,606)
Miscellaneous	3,508,600	3,669,700	4,063,339	393,639
TOTAL REVENUES	<u>22,910,822</u>	<u>23,674,354</u>	<u>24,198,955</u>	<u>524,601</u>
EXPENDITURES:				
Current:				
General government	5,693,513	6,017,268	6,300,767	(283,499)
Public safety	11,696,567	11,632,799	11,306,665	326,134
Community development	1,469,004	1,595,747	1,486,755	108,992
Public services	1,551,514	1,581,009	1,393,247	187,762
Community services	3,865,402	4,620,690	4,257,888	362,802
TOTAL EXPENDITURES	<u>24,276,000</u>	<u>25,447,513</u>	<u>24,745,322</u>	<u>702,191</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,365,178)</u>	<u>(1,773,159)</u>	<u>(546,367)</u>	<u>1,226,792</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	406,080	50,000	(356,080)
Transfers out	-	(826,005)	(987,026)	(161,021)
TOTAL OTHER FIANCING SOURCES (USES)	<u>50,000</u>	<u>(419,925)</u>	<u>(937,026)</u>	<u>(517,101)</u>
NET CHANGE IN FUND BALANCE	(1,315,178)	(2,193,084)	(1,483,393)	709,691
FUND BALANCE - BEGINNING OF YEAR	<u>14,815,781</u>	<u>14,815,781</u>	<u>14,815,781</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,500,603</u>	<u>\$ 12,622,697</u>	<u>\$ 13,332,388</u>	<u>\$ 709,691</u>

See independent auditors' report and note to required supplementary information.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

- 1) In May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and estimated revenues and other means of financing.
- 2) Public hearings are conducted at City Council meetings to obtain public input.
- 3) Prior to July 1, the budget is adopted by Council action.
- 4) The City Manager is authorized to transfer funds appropriated with respect to those classifications designated as other services and material and supplies within the same department. The City Manager may transfer appropriated funds from any classification within other expenditure categories to the capital outlay classification within the same department only. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are considered a single department. Revenues are budgeted on a line item basis.
- 5) The legal level of budgetary control is maintained at the departmental level. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Fund types to assist in controlling expenditures and enforcing revenue provisions. Capital Projects Fund types are budgeted on a project by project basis. All appropriations lapse at the end of the fiscal year, except for capital projects which are carried forward until such time as the project is completed or terminated.
- 6) Budgets for the General, certain Special Revenue and certain Capital Projects Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted and as further amended by the City Council.
- 7) Budget information is presented for the General, certain Special Revenue and certain Capital Projects Fund types. Formal budgeting policies are not required for the Debt Service Fund and, therefore, the financial statement of this fund is not included in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER GOVERNMENTAL FUNDS

June 30, 2012

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources that are restricted by law or City Council resolution to expenditure for specific purposes.

DEBT SERVICE RECREATION AUTHORITY FUND is used to account for debt service transactions including revenue collections and payments of principal and interest on long-term obligations of the component unit.

CAPITAL PROJECTS FUNDS are used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses.

PERMANENT FUND - ENDOWMENT TRUST is used to account for receipts used for payment of high school scholarships.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Permanent Fund Endowment Trust	Total Other Governmental Funds
ASSETS					
Cash and investments	\$ 8,636,164	\$ -	\$ 14,800,126	\$ 30,949	\$ 23,467,239
Cash and investments with fiscal agents	-	2,341	700,727	-	703,068
Accrued receivable	13,760	-	2,702	2	16,464
Due from other governments	1,558,317	-	374	-	1,558,691
TOTAL ASSETS	\$ 10,208,241	\$ 2,341	\$ 15,503,929	\$ 30,951	\$ 25,745,462
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,772,787	\$ 676	\$ 529,121	\$ -	\$ 2,302,584
Accrued liabilities	43,852	-	1,623	-	45,475
Deposits and other liabilities	9,512	-	-	-	9,512
Due to other funds	589,679	17,570	-	-	607,249
Deferred revenue	1,576,689	-	-	-	1,576,689
TOTAL LIABILITIES	3,992,519	18,246	530,744	-	4,541,509
FUND BALANCES (DEFICITS):					
Nonspendable:					
Endowment principal	-	-	-	20,003	20,003
Restricted for:					
Debt services	-	2,341	-	-	2,341
General government	67,349	-	-	-	67,349
Public safety	352,026	-	-	-	352,026
Public services	4,910,991	-	-	-	4,910,991
Community services	1,756,863	-	-	-	1,756,863
Capital projects	-	-	2,435,730	-	2,435,730
Assigned to:					
Scholarships	-	-	-	10,948	10,948
Capital projects	-	-	12,537,455	-	12,537,455
Unassigned	(871,507)	(18,246)	-	-	(889,753)
TOTAL FUND BALANCES (DEFICIT)	6,215,722	(15,905)	14,973,185	30,951	21,203,953
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,208,241	\$ 2,341	\$ 15,503,929	\$ 30,951	\$ 25,745,462

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Permanent Fund Endowment Trust	Total Other Governmental Funds
REVENUES:					
Licenses, permits and fees	\$ 596,564	\$ -	\$ 650,554	\$ -	\$ 1,247,118
Intergovernmental revenues	6,065,455	-	-	-	6,065,455
Fines, forfeitures and penalties	320,177	-	-	-	320,177
Investment income	182,578	-	213,868	223	396,669
Special assessments	1,578,318	-	-	-	1,578,318
Contribution from property owners	-	-	1,221,184	-	1,221,184
Miscellaneous	22,457	409,066	548,828	-	980,351
TOTAL REVENUES	8,765,549	409,066	2,634,434	223	11,809,272
EXPENDITURES					
Current:					
General government	103,391	3,982	119,980	-	227,353
Public safety	604,699	-	-	-	604,699
Community development	122,027	-	-	-	122,027
Public services	2,418,018	-	3,988,830	-	6,406,848
Community services	1,125,314	-	580,671	-	1,705,985
Capital outlay	5,177,365	-	5,083,909	-	10,261,274
Debt services:					
Principal retirement	675,000	390,000	-	-	1,065,000
Interest and fiscal charges	296,594	19,066	-	-	315,660
TOTAL EXPENDITURES	10,522,408	413,048	9,773,390	-	20,708,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,756,859)	(3,982)	(7,138,956)	223	(8,899,574)
OTHER FINANCING SOURCES (USES):					
Transfers in	221,182	-	2,238,431	-	2,459,613
Transfers out	(817,028)	-	(21,154)	-	(838,182)
TOTAL OTHER FINANCING SOURCES (USES)	(595,846)	-	2,217,277	-	1,621,431
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEMS	(2,352,705)	(3,982)	(4,921,679)	223	(7,278,143)
EXTRAORDINARY ITEM:					
Loss on dissolution of Redevelopment Agency	(25,398,018)	-	(1,902,593)	-	(27,300,611)
NET CHANGE IN FUND BALANCES	(27,750,723)	(3,982)	(6,824,272)	223	(34,578,754)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	33,966,445	(11,923)	21,797,457	30,728	55,782,707
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 6,215,722	\$ (15,905)	\$ 14,973,185	\$ 30,951	\$ 21,203,953

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER SPECIAL REVENUE FUNDS

June 30, 2012

Supplemental Law Enforcement Service - to account for receipts and expenditures of money related to the citizens option for public safety grant.

Justice Assistance Grant (J.A.G.) Program - to account for grant monies received from the U.S. Department of Justice Grant. Expenditures for this fund are restricted to local law enforcement.

Office of Traffic and Safety - to account for monies received under federal and state programs to enforce traffic safety laws.

Traffic Offender - to account for administrative fees generated from charges to drivers who have been arrested for DUI, who are driving on suspended/revoked licenses, or have never been issued a drivers license. These funds may only be used to further the traffic safety goals of the City and are subject to OTS audit.

Gas Tax - to account for receipts and expenditures of money apportioned under the Street and Highway Code of the State of California.

Transportation - Measure A - to account for revenues derived from half-cent sales tax and for expenditures to improve the City's transportation system in response to traffic congestion.

TDA Article 3, SB821 Pedestrian Sidewalk - to account for expenditures financed by the Local Transportation Commission Article 3 grant program and use on bicycle and pedestrian facility projects.

Traffic Safety - to account for expenditures financed by revenue generated from enforcement of California vehicle codes and City ordinances. These restricted funds may be used only for traffic signals, school crossing guards, and other related traffic safety expenditures.

City-wide Lighting and Landscape - to account for revenues derived from annual assessments which are used to pay the costs incurred by the City for landscape maintenance and street light maintenance.

Lighting and Landscape Maintenance District (L.L.M.D.) No. 1 - to account for revenues derived from annual assessments which are used to pay the costs incurred by the City for landscape maintenance and street light maintenance within the District.

Geothermal - to account for cash bond held by the City, as required by the State, for the City owned geothermal well. Interest earned is available for City use.

AB2766 Air Pollution Reduction - to account for South Coast Air Quality Board receipts representing revenues collected by the Department of Motor Vehicles. The City is committed to spend revenues to reduce air pollution from mobile sources.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2012

Community Development Block Grant (C.D.B.G.) - to account for grant monies received from a federal pass-through agency not accounted for in the other funds.

Cost Recovery System - to account for receipts of deposits. Deposits may be paid by developers used for plans and permits or by citizens for facility rentals.

Developer Agreement Revenue/Trust - to account for development fees based on developer agreements.

Affordable Housing in Lieu - to account for collection of fees assessed to developers and for expenditures made on affordable housing projects.

City Hall/Public Works - to account for collection of fees assessed to developers and for expenditures made on City Hall and Public Works facilities projects.

Community Center - to account for collection of fees assessed to developers and for expenditures made on Community Center facilities projects.

Lake Side Facilities - to account for collection of fees assessed to developers and for expenditure made on Lake Side facilities projects.

Animal Shelter - to account for collection of fees assessed to developers and for expenditures made on animal shelter facilities projects.

Camino del Norte - to account for fees assessed to developers and for expenditures made on the Camino del Norte projects.

Miscellaneous Grants - to account for miscellaneous Federal, State and County grants requiring segregated fund accounting.

National Pollutant Discharge System (N.P.D.E.S.) - to account for fees assessed to property owners for the N.P.D.E.S., which is mandated by the federal government. This requires cities to clean up storm water runoff.

PEG Grant - to account for public access cable channel grant revenue provided by cable franchisees based on subscribers. Funds are used for PEG access equipment, production equipment, as well as renovation or construction of PEG access facilities.

Successor Agency of the Redevelopment Agency - to account for 20% set-aside for low and moderate income projects. Expenditures for this fund are restricted to low and moderate income projects. The Agency was dissolved effective February 1, 2012.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2012

	Supplemental Law Enforcement Service	Justice Assistance Grant Program	Office of Traffic and Safety	Traffic Offender	Gas Tax
ASSETS					
Cash and investments	\$ 96,582	\$ 1,273	\$ 2,722	\$ 154,606	\$ 1,879,643
Accrued receivable	38	-	-	32	467
Due from other governments	25,000	-	29,804	-	-
TOTAL ASSETS	\$ 121,620	\$ 1,273	\$ 32,526	\$ 154,638	\$ 1,880,110
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 27,733	\$ -	\$ -	\$ 7,579	\$ 560,415
Accrued liabilities	-	-	208	-	13,759
Deposits and other liabilities	-	-	-	-	-
Due to other funds	-	14,399	37,729	-	-
Deferred revenue	-	-	13,787	-	-
TOTAL LIABILITIES	27,733	14,399	51,724	7,579	574,174
FUND BALANCES (DEFICITS):					
Restricted for:					
General government	-	-	-	-	-
Public safety	93,887	-	-	147,059	-
Public services	-	-	-	-	1,305,936
Community services	-	-	-	-	-
Unassigned	-	(13,126)	(19,198)	-	-
TOTAL FUND BALANCES (DEFICITS)	93,887	(13,126)	(19,198)	147,059	1,305,936
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 121,620	\$ 1,273	\$ 32,526	\$ 154,638	\$ 1,880,110

See independent auditors' report.

Transportation - Measure A	TDA Article 3, SB8211 Pedestrian Sidewalk	Traffic Safety	City-wide Lighting and Landscaping	L.L.M.D. No. 1	Geothermal	AB 2766 Air Pollution	C.D.B.G.
\$ 732,714	\$ 119,820	\$ 105,447	\$ 134,133	\$ 181,441	\$ 21,508	\$ 201,754	\$ 20,054
181	-	27	-	35	-	39	7
152,772	-	28,585	20,545	1,991	-	16,255	118,908
<u>\$ 885,667</u>	<u>\$ 119,820</u>	<u>\$ 134,059</u>	<u>\$ 154,678</u>	<u>\$ 183,467</u>	<u>\$ 21,508</u>	<u>\$ 218,048</u>	<u>\$ 138,969</u>
\$ 101,215	\$ -	\$ 21,020	\$ 152,788	\$ 3,481	\$ -	\$ 4,136	\$ -
-	-	1,959	-	-	-	-	-
-	7,812	-	-	-	1,700	-	-
-	-	-	-	-	-	-	60,761
-	89,417	-	-	-	-	-	-
<u>101,215</u>	<u>97,229</u>	<u>22,979</u>	<u>152,788</u>	<u>3,481</u>	<u>1,700</u>	<u>4,136</u>	<u>60,761</u>
-	-	-	-	-	19,808	-	-
-	-	111,080	-	-	-	-	-
784,452	22,591	-	1,890	179,986	-	213,912	78,208
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>784,452</u>	<u>22,591</u>	<u>111,080</u>	<u>1,890</u>	<u>179,986</u>	<u>19,808</u>	<u>213,912</u>	<u>78,208</u>
<u>\$ 885,667</u>	<u>\$ 119,820</u>	<u>\$ 134,059</u>	<u>\$ 154,678</u>	<u>\$ 183,467</u>	<u>\$ 21,508</u>	<u>\$ 218,048</u>	<u>\$ 138,969</u>

(Continued)

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2012

	Cost Recovery System	Developer Agreement Revenue/Trust	Affordable Housing In-Lieu	City Hall/ Public Works	Community Center
ASSETS					
Cash and investments	\$ 730,274	\$ 1,131,006	\$ 1,232,880	\$ 1,157,198	\$ 106,943
Accrued receivable	-	72	250	238	18
Due from other governments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 730,274</u>	<u>\$ 1,131,078</u>	<u>\$ 1,233,130</u>	<u>\$ 1,157,436</u>	<u>\$ 106,961</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 28,691	\$ -	\$ -	\$ -	\$ 114
Accrued liabilities	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	701,583	-	-	-	-
TOTAL LIABILITIES	<u>730,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114</u>
FUND BALANCES (DEFICITS):					
Restricted for:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public services	-	1,131,078	-	1,157,436	-
Community services	-	-	1,233,130	-	106,847
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>1,131,078</u>	<u>1,233,130</u>	<u>1,157,436</u>	<u>106,847</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 730,274</u>	<u>\$ 1,131,078</u>	<u>\$ 1,233,130</u>	<u>\$ 1,157,436</u>	<u>\$ 106,961</u>

See independent auditors' report.

Lake Side Facilities	Animal Shelter	Camino del Norte	Miscellaneous Grants	N.P.D.E.S.	Peg Grant	Successor Agency of the Redevelopment Agency	Total Other Special Revenue Funds
\$ 214,102	\$ 245,326	\$ 35,495	\$ -	\$ -	\$ 131,243	\$ -	\$ 8,636,164
45	49	7	-	-	12,255	-	13,760
-	-	-	1,164,457	-	-	-	1,558,317
<u>\$ 214,147</u>	<u>\$ 245,375</u>	<u>\$ 35,502</u>	<u>\$ 1,164,457</u>	<u>\$ -</u>	<u>\$ 143,498</u>	<u>\$ -</u>	<u>\$ 10,208,241</u>
\$ 17,670	\$ 333	\$ -	\$ 847,328	\$ 284	\$ -	\$ -	\$ 1,772,787
24,633	-	-	-	3,293	-	-	43,852
-	-	-	-	-	-	-	9,512
-	-	-	456,313	20,477	-	-	589,679
-	-	-	675,945	-	95,957	-	1,576,689
<u>42,303</u>	<u>333</u>	<u>-</u>	<u>1,979,586</u>	<u>24,054</u>	<u>95,957</u>	<u>-</u>	<u>3,992,519</u>
-	-	-	-	-	47,541	-	67,349
-	-	-	-	-	-	-	352,026
-	-	35,502	-	-	-	-	4,910,991
171,844	245,042	-	-	-	-	-	1,756,863
-	-	-	(815,129)	(24,054)	-	-	(871,507)
<u>171,844</u>	<u>245,042</u>	<u>35,502</u>	<u>(815,129)</u>	<u>(24,054)</u>	<u>47,541</u>	<u>-</u>	<u>6,215,722</u>
<u>\$ 214,147</u>	<u>\$ 245,375</u>	<u>\$ 35,502</u>	<u>\$ 1,164,457</u>	<u>\$ -</u>	<u>\$ 143,498</u>	<u>\$ -</u>	<u>\$ 10,208,241</u>

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2012

	Supplemental Law Enforcement Service	Justice Assistance Grant Program	Office of Traffic and Safety	Traffic Offender	Gas Tax
REVENUES:					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ 57,500	\$ -
Intergovernmental revenues	100,000	7,285	59,787	-	1,456,178
Fines, forfeitures and penalties	-	-	-	-	-
Investment income	2,457	-	-	2,686	40,162
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	2,053
TOTAL REVENUES	102,457	7,285	59,787	60,186	1,498,393
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	144,394	20,771	57,604	54,638	-
Community development	-	-	-	-	-
Public services	-	-	-	-	1,055,856
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	885,095
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
TOTAL EXPENDITURES	144,394	20,771	57,604	54,638	1,940,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,937)	(13,486)	2,183	5,548	(442,558)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(705,874)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(705,874)
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(41,937)	(13,486)	2,183	5,548	(1,148,432)
EXTRAORDINARY ITEM:					
Loss from dissolution of Redevelopment Agency	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(41,937)	(13,486)	2,183	5,548	(1,148,432)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	135,824	360	(21,381)	141,511	2,454,368
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 93,887	\$ (13,126)	\$ (19,198)	\$ 147,059	\$ 1,305,936

See independent auditors' report.

Transportation - Measure A	TDA Article 3, SB8211 Pedestrian Sidewalk	Traffic Safety	City-wide Lighting and Landscaping	L.L.M.D. No. 1	Geothermal	AB 2766 Air Pollution	C.D.B.G.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
913,840	80,058	-	-	-	-	65,847	410,029
-	-	320,177	-	-	-	-	-
11,553	1,437	2,788	7,090	1,799	358	2,972	254
-	-	-	1,361,007	217,311	-	-	-
2,064	-	-	13,000	5,000	-	-	-
<u>927,457</u>	<u>81,495</u>	<u>322,965</u>	<u>1,381,097</u>	<u>224,110</u>	<u>358</u>	<u>68,819</u>	<u>410,283</u>
-	-	-	-	-	-	-	-
-	-	278,054	-	-	-	-	-
-	-	-	-	-	-	-	95,000
400,215	1,937	36,740	628,367	57,817	-	32,710	-
-	-	-	867,796	60,465	-	-	-
409,160	78,121	-	-	-	-	-	127,206
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>809,375</u>	<u>80,058</u>	<u>314,794</u>	<u>1,496,163</u>	<u>118,282</u>	<u>-</u>	<u>32,710</u>	<u>222,206</u>
<u>118,082</u>	<u>1,437</u>	<u>8,171</u>	<u>(115,066)</u>	<u>105,828</u>	<u>358</u>	<u>36,109</u>	<u>188,077</u>
21,154	21,154	-	115,000	-	-	-	-
<u>(21,154)</u>	<u>-</u>	<u>(40,000)</u>	<u>(20,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>21,154</u>	<u>(40,000)</u>	<u>95,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
118,082	22,591	(31,829)	(20,066)	75,828	358	36,109	188,077
-	-	-	-	-	-	-	-
118,082	22,591	(31,829)	(20,066)	75,828	358	36,109	188,077
<u>666,370</u>	<u>-</u>	<u>142,909</u>	<u>21,956</u>	<u>104,158</u>	<u>19,450</u>	<u>177,803</u>	<u>(109,869)</u>
<u>\$ 784,452</u>	<u>\$ 22,591</u>	<u>\$ 111,080</u>	<u>\$ 1,890</u>	<u>\$ 179,986</u>	<u>\$ 19,808</u>	<u>\$ 213,912</u>	<u>\$ 78,208</u>

(Continued)

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

For the year ended June 30, 2012

	Cost Recovery System	Developer Agreement Revenue/Trust	Affordable Housing In-Lieu	City Hall/ Public Works	Community Center
REVENUES:					
Licenses, permits and fees	\$ -	\$ 87,000	\$ 110,566	\$ 63,059	\$ 41,965
Intergovernmental revenues	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-
Investment income	-	5,955	19,603	19,203	1,741
Special assessments	-	-	-	-	-
Miscellaneous	-	100	-	-	-
TOTAL REVENUES	-	93,055	130,169	82,262	43,706
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Public services	-	460	-	12,659	-
Community services	-	-	-	-	26,081
Capital outlay	-	-	-	-	21,426
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
TOTAL EXPENDITURES	-	460	-	12,659	47,507
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	92,595	130,169	69,603	(3,801)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	-	92,595	130,169	69,603	(3,801)
EXTRAORDINARY ITEM:					
Loss from dissolution of Redevelopment Agency	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	92,595	130,169	69,603	(3,801)
FUND BALANCES (DEFICITS) -					
BEGINNING OF YEAR	-	1,038,483	1,102,961	1,087,833	110,648
FUND BALANCES (DEFICITS) -					
END OF YEAR	\$ -	\$ 1,131,078	\$ 1,233,130	\$ 1,157,436	\$ 106,847

See independent auditors' report

Lake Side Facilities	Animal Shelter	Camino del Norte	Miscellaneous Grants	N.P.D.E.S.	Peg Grant	Successor Agency of the Redevelopment Agency	Total Other Special Revenue Funds
\$ 59,983	\$ 26,796	\$ -	\$ -	\$ 101,906	\$ 47,789	\$ -	\$ 596,564
-	-	-	2,972,431	-	-	-	6,065,455
-	-	-	-	-	-	-	320,177
3,597	4,972	603	1,986	-	-	51,362	182,578
-	-	-	-	-	-	-	1,578,318
-	-	-	-	-	-	240	22,457
<u>63,580</u>	<u>31,768</u>	<u>603</u>	<u>2,974,417</u>	<u>101,906</u>	<u>47,789</u>	<u>51,602</u>	<u>8,765,549</u>
-	-	-	6,380	-	-	97,011	103,391
-	-	-	49,238	-	-	-	604,699
-	-	-	-	-	-	27,027	122,027
-	-	-	31,017	159,992	248	-	2,418,018
92,386	-	-	78,586	-	-	-	1,125,314
-	85,882	-	3,570,475	-	-	-	5,177,365
-	-	-	-	-	-	675,000	675,000
-	-	-	-	-	-	296,594	296,594
<u>92,386</u>	<u>85,882</u>	<u>-</u>	<u>3,735,696</u>	<u>159,992</u>	<u>248</u>	<u>1,095,632</u>	<u>10,522,408</u>
<u>(28,806)</u>	<u>(54,114)</u>	<u>603</u>	<u>(761,279)</u>	<u>(58,086)</u>	<u>47,541</u>	<u>(1,044,030)</u>	<u>(1,756,859)</u>
-	-	-	18,874	45,000	-	-	221,182
-	-	-	-	-	-	-	(817,028)
-	-	-	18,874	45,000	-	-	(595,846)
(28,806)	(54,114)	603	(742,405)	(13,086)	47,541	(1,044,030)	(2,352,705)
-	-	-	-	-	-	(25,398,018)	(25,398,018)
(28,806)	(54,114)	603	(742,405)	(13,086)	47,541	(26,442,048)	(27,750,723)
<u>200,650</u>	<u>299,156</u>	<u>34,899</u>	<u>(72,724)</u>	<u>(10,968)</u>	<u>-</u>	<u>26,442,048</u>	<u>33,966,445</u>
<u>\$ 171,844</u>	<u>\$ 245,042</u>	<u>\$ 35,502</u>	<u>\$ (815,129)</u>	<u>\$ (24,054)</u>	<u>\$ 47,541</u>	<u>\$ -</u>	<u>\$ 6,215,722</u>

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SERVICE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 100,000	\$ 100,000	\$ -
Investment income	-	-	2,457	2,457
TOTAL REVENUES	-	100,000	102,457	2,457
EXPENDITURES:				
Current:				
Public safety	-	160,000	144,394	15,606
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(60,000)	(41,937)	18,063
FUND BALANCE - BEGINNING OF YEAR	135,824	135,824	135,824	-
FUND BALANCE - END OF YEAR	\$ 135,824	\$ 75,824	\$ 93,887	\$ 18,063

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

JUSTICE ASSISTANCE GRANT PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 14,760	\$ 7,285	\$ (7,475)
EXPENDITURES:				
Current:				
Public safety	<u>7,700</u>	<u>22,460</u>	<u>20,771</u>	<u>1,689</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,700)	(7,700)	(13,486)	(5,786)
FUND BALANCE - BEGINNING OF YEAR	<u>360</u>	<u>360</u>	<u>360</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (7,340)</u>	<u>\$ (7,340)</u>	<u>\$ (13,126)</u>	<u>\$ (5,786)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

OFFICE OF TRAFFIC AND SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 65,000	\$ 126,300	\$ 59,787	\$ (66,513)
EXPENDITURES:				
Current:				
Public safety	<u>4,302</u>	<u>62,702</u>	<u>57,604</u>	<u>5,098</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,698	63,598	2,183	(61,415)
FUND BALANCE - BEGINNING OF YEAR	<u>(21,381)</u>	<u>(21,381)</u>	<u>(21,381)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 39,317</u>	<u>\$ 42,217</u>	<u>\$ (19,198)</u>	<u>\$ (61,415)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC OFFENDER SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 72,000	\$ 72,000	\$ 57,500	\$ (14,500)
Investment income	-	-	2,686	2,686
TOTAL REVENUES	72,000	72,000	60,186	(11,814)
EXPENDITURES:				
Current:				
Public safety	35,000	58,651	54,638	4,013
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,000	13,349	5,548	(7,801)
FUND BALANCE - BEGINNING OF YEAR	141,511	141,511	141,511	-
FUND BALANCE - END OF YEAR	\$ 178,511	\$ 154,860	\$ 147,059	\$ (7,801)

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,366,790	\$ 1,366,790	\$ 1,456,178	\$ 89,388
Investment income	-	-	40,162	40,162
Miscellaneous	-	-	2,053	2,053
TOTAL REVENUES	1,366,790	1,366,790	1,498,393	131,603
EXPENDITURES:				
Current:				
Public services	828,176	847,060	1,055,856	(208,796)
Capital outlay	1,359,560	1,845,371	885,095	960,276
TOTAL EXPENDITURES	2,187,736	2,692,431	1,940,951	751,480
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(820,946)	(1,325,641)	(442,558)	883,083
OTHER FINANCING USES:				
Transfers out	-	-	(705,874)	(705,874)
NET CHANGE IN FUND BALANCES	(820,946)	(1,325,641)	(1,148,432)	177,209
FUND BALANCE - BEGINNING OF YEAR	2,454,368	2,454,368	2,454,368	-
FUND BALANCE - END OF YEAR	<u>\$ 1,633,422</u>	<u>\$ 1,128,727</u>	<u>\$ 1,305,936</u>	<u>\$ 177,209</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRANSPORTATION - MEASURE A SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 786,000	\$ 786,000	\$ 913,840	\$ 127,840
Investment income	-	-	11,553	11,553
Miscellaneous	-	-	2,064	2,064
TOTAL REVENUES	786,000	786,000	927,457	141,457
EXPENDITURES:				
Current:				
Public services	76,963	77,853	400,215	(322,362)
Capital outlay	1,261,427	1,503,327	409,160	1,094,167
TOTAL EXPENDITURES	1,338,390	1,581,180	809,375	771,805
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(552,390)	(795,180)	118,082	913,262
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	21,154	21,154
Transfers out	-	-	(21,154)	(21,154)
NET OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(552,390)	(795,180)	118,082	913,262
FUND BALANCE - BEGINNING OF YEAR	666,370	666,370	666,370	-
FUND BALANCE - END OF YEAR	113,980	(128,810)	784,452	913,262

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC SAFETY SERVICE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 303,900	\$ 303,900	\$ 320,177	\$ 16,277
Investment income	-	-	2,788	2,788
TOTAL REVENUES	303,900	303,900	322,965	19,065
EXPENDITURES:				
Current:				
Public safety	290,400	290,400	278,054	12,346
Public services	40,000	40,000	36,740	3,260
TOTAL EXPENDITURES	330,400	330,400	314,794	15,606
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,500)	(26,500)	8,171	34,671
OTHER FINANCING USES:				
Transfers out	-	-	(40,000)	(40,000)
NET CHANGE IN FUND BALANCES	(26,500)	(26,500)	(31,829)	(5,329)
FUND BALANCE - BEGINNING OF YEAR	142,909	142,909	142,909	-
FUND BALANCE - END OF YEAR	\$ 116,409	\$ 116,409	\$ 111,080	\$ (5,329)

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY-WIDE LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,350,000	\$ 1,350,000	\$ 1,361,007	\$ 11,007
Investment income	4,000	4,000	7,090	3,090
Miscellaneous	-	-	13,000	13,000
TOTAL REVENUES	1,354,000	1,354,000	1,381,097	27,097
EXPENDITURES:				
Current:				
Public services	498,500	498,500	628,367	(129,867)
Community services	776,500	776,500	867,796	(91,296)
TOTAL EXPENDITURES	1,275,000	1,275,000	1,496,163	(221,163)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	79,000	79,000	(115,066)	(194,066)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	115,000	115,000
Transfers out	(20,000)	(20,000)	(20,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(20,000)	95,000	115,000
NET CHANGE IN FUND BALANCES	59,000	59,000	(20,066)	(79,066)
FUND BALANCE - BEGINNING OF YEAR	21,956	21,956	21,956	-
FUND BALANCE - END OF YEAR	<u>\$ 80,956</u>	<u>\$ 80,956</u>	<u>\$ 1,890</u>	<u>\$ (79,066)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

L.L.M.D. NO. 1 SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 213,000	\$ 213,000	\$ 217,311	\$ 4,311
Investment income	-	-	1,799	1,799
Miscellaneous	3,000	3,000	5,000	2,000
TOTAL REVENUES	<u>216,000</u>	<u>216,000</u>	<u>224,110</u>	<u>8,110</u>
EXPENDITURES:				
Current:				
Public services	40,000	40,000	57,817	(17,817)
Community services	140,000	140,000	60,465	79,535
TOTAL EXPENDITURES	<u>180,000</u>	<u>180,000</u>	<u>118,282</u>	<u>61,718</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	36,000	36,000	105,828	69,828
OTHER FINANCING USES:				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,000	6,000	75,828	69,828
FUND BALANCE - BEGINNING OF YEAR	<u>104,158</u>	<u>104,158</u>	<u>104,158</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 110,158</u>	<u>\$ 110,158</u>	<u>\$ 179,986</u>	<u>\$ 69,828</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GEOHERMAL SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 245	\$ 245	\$ 358	\$ 113
FUND BALANCE - BEGINNING OF YEAR	<u>19,450</u>	<u>19,450</u>	<u>19,450</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,695</u>	<u>\$ 19,695</u>	<u>\$ 19,808</u>	<u>\$ 113</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AB 2766 AIR POLLUTION SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 50,000	\$ 50,000	\$ 65,847	\$ 15,847
Investment income	-	-	2,972	2,972
TOTAL REVENUES	50,000	50,000	68,819	18,819
EXPENDITURES:				
Current:				
Public safety	-	-	32,710	(32,710)
Capital outlay	43,743	43,743	-	43,743
TOTAL EXPENDITURES	43,743	43,743	32,710	11,033
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,257	6,257	36,109	29,852
FUND BALANCE - BEGINNING OF YEAR	177,803	177,803	177,803	-
FUND BALANCE - END OF YEAR	<u>\$ 184,060</u>	<u>\$ 184,060</u>	<u>\$ 213,912</u>	<u>\$ 29,852</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

C.D.B.G. SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 150,000	\$ 150,000	\$ 410,029	\$ 260,029
Investment income	-	-	254	254
TOTAL REVENUES	150,000	150,000	410,283	260,283
EXPENDITURES:				
Current:				
Community development	75,000	95,000	95,000	-
Capital outlay	275,798	275,798	127,206	148,592
TOTAL EXPENDITURES	350,798	370,798	222,206	148,592
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(200,798)	(220,798)	188,077	408,875
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(109,869)	(109,869)	(109,869)	-
FUND BALANCE - END OF YEAR	\$ (310,667)	\$ (330,667)	\$ 78,208	\$ 408,875

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEVELOPER AGREEMENT REVENUE/TRUST SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 87,000	\$ 87,000
Investment income	24,000	24,000	5,955	(18,045)
Miscellaneous	-	-	100	100
TOTAL REVENUES	24,000	24,000	93,055	69,055
EXPENDITURES:				
Current:				
Public services	-	368	460	(92)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,000	23,632	92,595	68,963
FUND BALANCE - BEGINNING OF YEAR	1,038,483	1,038,483	1,038,483	-
FUND BALANCE - END OF YEAR	\$ 1,062,483	\$ 1,062,115	\$ 1,131,078	\$ 68,963

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AFFORDABLE HOUSING IN LIEU SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 10,000	\$ 10,000	\$ 110,566	\$ 100,566
Investment income	12,000	12,000	19,603	7,603
TOTAL REVENUES	22,000	22,000	130,169	108,169
FUND BALANCE - BEGINNING OF YEAR	1,102,961	1,102,961	1,102,961	-
FUND BALANCE - END OF YEAR	\$ 1,124,961	\$ 1,124,961	\$ 1,233,130	\$ 108,169

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY HALL/PUBLIC WORKS SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 56,000	\$ 56,000	\$ 63,059	\$ 7,059
Investment income	-	-	19,203	19,203
TOTAL REVENUES	56,000	56,000	82,262	26,262
EXPENDITURES:				
Current:				
Public services	-	101,800	12,659	89,141
Capital outlay	-	460,422	-	460,422
TOTAL EXPENDITURES	-	562,222	12,659	549,563
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	56,000	(506,222)	69,603	575,825
FUND BALANCE - BEGINNING OF YEAR	1,087,833	1,087,833	1,087,833	-
FUND BALANCE - END OF YEAR	\$ 1,143,833	\$ 581,611	\$ 1,157,436	\$ 575,825

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY CENTER SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 32,000	\$ 32,000	\$ 41,965	\$ 9,965
Investment income	-	-	1,741	1,741
TOTAL REVENUES	<u>32,000</u>	<u>32,000</u>	<u>43,706</u>	<u>11,706</u>
EXPENDITURES:				
Current:				
Community services	-	-	26,081	(26,081)
Capital outlay	<u>32,202</u>	<u>32,202</u>	<u>21,426</u>	<u>10,776</u>
TOTAL EXPENDITURES	<u>32,202</u>	<u>32,202</u>	<u>47,507</u>	<u>(15,305)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(202)	(202)	(3,801)	(3,599)
FUND BALANCE - BEGINNING OF YEAR	<u>110,648</u>	<u>110,648</u>	<u>110,648</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 110,446</u>	<u>\$ 110,446</u>	<u>\$ 106,847</u>	<u>\$ (3,599)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LAKE SIDE FACILITIES SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 49,900	\$ 49,900	\$ 59,983	\$ 10,083
Investment income	-	-	3,597	3,597
TOTAL REVENUES	49,900	49,900	63,580	13,680
EXPENDITURES:				
Current:				
Community services	-	63,035	92,386	(29,351)
Capital outlay	42,326	57,326	-	57,326
TOTAL EXPENDITURES	42,326	120,361	92,386	27,975
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,574	(70,461)	(28,806)	41,655
FUND BALANCE - BEGINNING OF YEAR	200,650	200,650	200,650	-
FUND BALANCE - END OF YEAR	<u>\$ 208,224</u>	<u>\$ 130,189</u>	<u>\$ 171,844</u>	<u>\$ 41,655</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ANIMAL SHELTER SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 31,000	\$ 31,000	\$ 26,796	\$ (4,204)
Investment income	-	-	4,972	4,972
TOTAL REVENUES	31,000	31,000	31,768	768
EXPENDITURES:				
Capital outlay	150,000	150,000	85,882	64,118
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(119,000)	(119,000)	(54,114)	64,886
FUND BALANCE - BEGINNING OF YEAR	299,156	299,156	299,156	-
FUND BALANCE - END OF YEAR	\$ 180,156	\$ 180,156	\$ 245,042	\$ 64,886

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAMINO DEL NORTE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 370	\$ 370	\$ -	\$ (370)
Investment income	-	-	603	603
TOTAL REVENUES	370	370	603	233
FUND BALANCE - BEGINNING OF YEAR	34,899	34,899	34,899	-
FUND BALANCE - END OF YEAR	\$ 35,269	\$ 35,269	\$ 35,502	\$ 233

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MISCELLANEOUS GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 129,595	\$ 129,595	\$ 2,972,431	\$ 2,842,836
Investment income	-	-	1,986	1,986
TOTAL REVENUES	129,595	129,595	2,974,417	2,844,822
EXPENDITURES:				
Current:				
General government	-	-	6,380	(6,380)
Public safety	-	-	49,238	(49,238)
Public services	-	-	31,017	(31,017)
Community services	-	-	78,586	(78,586)
Capital outlay	4,252,338	4,351,934	3,570,475	781,459
TOTAL EXPENDITURES	4,252,338	4,351,934	3,735,696	616,238
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,122,743)	(4,222,339)	(761,279)	3,461,060
OTHER FINANCING SOURCES:				
Transfers in	-	-	18,874	18,874
NET CHANGE IN FUND BALANCES	(4,122,743)	(4,222,339)	(742,405)	3,479,934
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(72,724)	(72,724)	(72,724)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (4,195,467)	\$ (4,295,063)	\$ (815,129)	\$ 3,479,934

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

N.P.D.E.S. SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 175,309	\$ 175,309	\$ 101,906	\$ (73,403)
EXPENDITURES:				
Current:				
Public services	<u>214,061</u>	<u>225,587</u>	<u>159,992</u>	<u>65,595</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,752)	(50,278)	(58,086)	(7,808)
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>
NET CHANGE IN FUND BALANCES	(38,752)	(50,278)	(13,086)	37,192
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(10,968)</u>	<u>(10,968)</u>	<u>(10,968)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (49,720)</u>	<u>\$ (61,246)</u>	<u>\$ (24,054)</u>	<u>\$ 37,192</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PEG GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 47,789	\$ 47,789
EXPENDITURES:				
Current:				
Public services	-	-	248	(248)
Capital outlay	60,000	60,000	-	60,000
TOTAL EXPENDITURES	60,000	60,000	248	59,752
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,000)	(60,000)	47,541	107,541
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ (60,000)	\$ (60,000)	\$ 47,541	\$ 107,541

See independent auditors' report.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER CAPITAL PROJECTS FUNDS

June 30, 2012

Miscellaneous General Project - to account for miscellaneous general projects of the City.

Park Improvement and Development - to account for the improvement and development of parks that are financed by developer fees.

Street Capital Improvements - to account for general capital improvements of streets within the City that are financed by development fees.

Storm Drain - to account for the capital improvements of upgrading the storm drains within the City that are financed by development fees.

Library Capital Improvement - to account for general capital improvements necessary for the upgrade and maintenance of the Public Libraries within the City. Financed by development fees, upgrades include the purchase of reading material.

Signalization Improvement - to account for general improvements and repairs to signal lights within the City that are financed by development fees.

Traffic Improvements - to account for projects related to traffic improvements, financed by development fees.

City Fire Protection - to account for the construction of fire facilities, financed by development fees.

Public Improvement In-Lieu - to account for special designated improvements to City property, financed by development fees.

Fire Station - to account for deposits and expenditures related to the Fire Station construction.

Transportation Uniform Mitigation Fee (TUMF) - to account for multi-jurisdictional development impact fee paid for by new development to provide the transportation infrastructure necessary to accommodate new development.

Boat Launch Construction - to account for proceeds and expenditures related to the construction of a new City boat launch.

Assessment Districts - to account for transactions related to proceeds from assessment bonds and other resources used to acquire and construct certain capital facilities.

Successor Agency of the Redevelopment Agency - to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses within the Rancho Laguna I, Rancho Laguna II and Rancho Laguna II project areas. The Agency was dissolved effective February 1, 2012.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER CAPITAL PROJECTS FUNDS

June 30, 2012

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain	Library Capital Improvement	Signalization Improvement
ASSETS						
Cash and investments	\$ 1,115,729	\$ 370,100	\$ 13,848	\$ 5,331,282	\$ 1,429,108	\$ 151,487
Cash and investments with fiscal agent	-	-	-	-	-	-
Accrued interest receivable	235	72	3	1,094	294	31
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,115,964	\$ 370,172	\$ 13,851	\$ 5,332,376	\$ 1,429,402	\$ 151,518
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 99,718	\$ -	\$ -	\$ -	\$ 5,577	\$ -
Accrued liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	99,718	-	-	-	5,577	-
FUND BALANCES:						
Restricted for:						
Capital projects	-	370,172	13,851	-	-	-
Assigned to:						
Capital projects	1,016,246	-	-	5,332,376	1,423,825	151,518
TOTAL FUND BALANCES	1,016,246	370,172	13,851	5,332,376	1,423,825	151,518
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,115,964	\$ 370,172	\$ 13,851	\$ 5,332,376	\$ 1,429,402	\$ 151,518

See independent auditors' report

Traffic Improvements	City Fire Protection	Public Improvement In-Lieu	Fire Station	TUMF	Boat Launch Construction	Assessment Districts	Successor Agency of the Redevelop- ment Agency	Total Other Capital Projects Funds
\$ 3,418,913	\$ 333,770	\$ 859,841	\$ 19	\$ 579,293	\$ 1,068,512	\$ 128,224	\$ -	\$ 14,800,126
-	-	-	-	-	-	700,727	-	700,727
702	66	179	-	-	-	26	-	2,702
-	-	-	-	374	-	-	-	374
<u>\$ 3,419,615</u>	<u>\$ 333,836</u>	<u>\$ 860,020</u>	<u>\$ 19</u>	<u>\$ 579,667</u>	<u>\$ 1,068,512</u>	<u>\$ 828,977</u>	<u>\$ -</u>	<u>\$ 15,503,929</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 423,826	\$ -	\$ -	\$ 529,121
-	-	-	-	-	1,623	-	-	1,623
-	-	-	-	-	425,449	-	-	530,744
-	-	-	-	579,667	643,063	828,977	-	2,435,730
<u>3,419,615</u>	<u>333,836</u>	<u>860,020</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,537,455</u>
<u>3,419,615</u>	<u>333,836</u>	<u>860,020</u>	<u>19</u>	<u>579,667</u>	<u>643,063</u>	<u>828,977</u>	<u>-</u>	<u>14,973,185</u>
<u>\$ 3,419,615</u>	<u>\$ 333,836</u>	<u>\$ 860,020</u>	<u>\$ 19</u>	<u>\$ 579,667</u>	<u>\$ 1,068,512</u>	<u>\$ 828,977</u>	<u>\$ -</u>	<u>\$ 15,503,929</u>

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER CAPITAL PROJECTS FUNDS

For the year ended June 30, 2012

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain	Library Capital Improvement	Signalization Improvement
REVENUES:						
Licenses, permits and fees	\$ -	\$ 69,306	\$ -	\$ 102,508	\$ 24,750	\$ -
Investment income	10,927	5,494	236	89,806	24,393	2,580
Contribution from property owners	-	-	-	-	-	-
Miscellaneous	130,184	-	-	-	-	-
TOTAL REVENUES	141,111	74,800	236	192,314	49,143	2,580
EXPENDITURES:						
Current:						
General government	119,980	-	-	-	-	-
Public services	5,003	-	-	-	-	-
Community services	42,069	2,325	-	-	27,151	-
Capital outlay	253,762	-	-	-	-	-
TOTAL EXPENDITURES	420,814	2,325	-	-	27,151	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(279,703)	72,475	236	192,314	21,992	2,580
OTHER FINANCES SOURCES (USES):						
Transfers in	923,152	-	-	-	-	-
Transfers out	-	-	-	-	-	-
NET CHANGE IN TRANSFERS	923,152	-	-	-	-	-
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	643,449	72,475	236	192,314	21,992	2,580
EXTRAORDINARY ITEM:						
Dissolution of Redevelopment Agency	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	643,449	72,475	236	192,314	21,992	2,580
FUND BALANCES - BEGINNING OF YEAR	372,797	297,697	13,615	5,140,062	1,401,833	148,938
FUND BALANCES - END OF YEAR	\$ 1,016,246	\$ 370,172	\$ 13,851	\$ 5,332,376	\$ 1,423,825	\$ 151,518

See independent auditors' report.

Traffic Improvements	City Fire Protection	Public Improvement In-Lieu	Fire Station	TUMF	Boat Launch Construction	Assessment Districts	Successor Agency of the Redevelop- ment Agency	Total Other Capital Projects Funds
\$ 87,617	\$ 48,572	\$ 239,620	\$ -	\$ 78,181	\$ -	\$ -	\$ -	\$ 650,554
57,305	5,109	14,411	1	-	-	3,576	30	213,868
-	-	-	-	-	-	1,221,184	-	1,221,184
-	-	-	-	-	-	-	418,644	548,828
<u>144,922</u>	<u>53,681</u>	<u>254,031</u>	<u>1</u>	<u>78,181</u>	<u>-</u>	<u>1,224,760</u>	<u>418,674</u>	<u>2,634,434</u>
-	-	-	-	-	-	-	-	119,980
-	-	10,213	-	-	-	3,973,614	-	3,988,830
-	-	-	-	-	509,126	-	-	580,671
-	-	-	-	25,768	3,817,179	-	987,200	5,083,909
<u>-</u>	<u>-</u>	<u>10,213</u>	<u>-</u>	<u>25,768</u>	<u>4,326,305</u>	<u>3,973,614</u>	<u>987,200</u>	<u>9,773,390</u>
<u>144,922</u>	<u>53,681</u>	<u>243,818</u>	<u>1</u>	<u>52,413</u>	<u>(4,326,305)</u>	<u>(2,748,854)</u>	<u>(568,526)</u>	<u>(7,138,956)</u>
-	-	-	-	630,874	-	-	684,405	2,238,431
-	-	(21,154)	-	-	-	-	-	(21,154)
<u>-</u>	<u>-</u>	<u>(21,154)</u>	<u>-</u>	<u>630,874</u>	<u>-</u>	<u>-</u>	<u>684,405</u>	<u>2,217,277</u>
<u>144,922</u>	<u>53,681</u>	<u>222,664</u>	<u>1</u>	<u>683,287</u>	<u>(4,326,305)</u>	<u>(2,748,854)</u>	<u>115,879</u>	<u>(4,921,679)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,902,593)</u>	<u>(1,902,593)</u>
<u>144,922</u>	<u>53,681</u>	<u>222,664</u>	<u>1</u>	<u>683,287</u>	<u>(4,326,305)</u>	<u>(2,748,854)</u>	<u>(1,786,714)</u>	<u>(6,824,272)</u>
<u>3,274,693</u>	<u>280,155</u>	<u>637,356</u>	<u>18</u>	<u>(103,620)</u>	<u>4,969,368</u>	<u>3,577,831</u>	<u>1,786,714</u>	<u>21,797,457</u>
<u>\$ 3,419,615</u>	<u>\$ 333,836</u>	<u>\$ 860,020</u>	<u>\$ 19</u>	<u>\$ 579,667</u>	<u>\$ 643,063</u>	<u>\$ 828,977</u>	<u>\$ -</u>	<u>\$ 14,973,185</u>

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MISCELLANEOUS GENERAL PROJECT CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 10,927	\$ 10,927
Miscellaneous	-	-	130,184	130,184
TOTAL REVENUES	-	-	141,111	141,111
EXPENDITURES:				
Current:				
General government	61,233	61,233	119,980	(58,747)
Public services	-	-	5,003	(5,003)
Community services	-	315,120	42,069	273,051
Capital outlay	700,201	1,217,922	253,762	964,160
TOTAL EXPENDITURES	761,434	1,594,275	420,814	1,173,461
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(761,434)	(1,594,275)	(279,703)	1,314,572
OTHER FINANCING SOURCES:				
Transfers in	-	691,005	923,152	232,147
NET CHANGE IN FUND BALANCE	(761,434)	(903,270)	643,449	1,546,719
FUND BALANCE - BEGINNING OF YEAR	372,797	372,797	372,797	-
FUND BALANCE - END OF YEAR	<u>\$ (388,637)</u>	<u>\$ (530,473)</u>	<u>\$ 1,016,246</u>	<u>\$ 1,546,719</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK IMPROVEMENT AND DEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 125,000	\$ 125,000	\$ 69,306	\$ (55,694)
Investment income	10,000	10,000	5,494	(4,506)
TOTAL REVENUES	135,000	135,000	74,800	(60,200)
EXPENDITURES:				
Current:				
Community services	-	-	2,325	(2,325)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	135,000	135,000	72,475	(62,525)
FUND BALANCE - BEGINNING OF YEAR	297,697	297,697	297,697	-
FUND BALANCE - END OF YEAR	\$ 432,697	\$ 432,697	\$ 370,172	\$ (62,525)

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 250	\$ 250	\$ 236	\$ (14)
FUND BALANCE - BEGINNING OF YEAR	<u>13,615</u>	<u>13,615</u>	<u>13,615</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,865</u>	<u>\$ 13,865</u>	<u>\$ 13,851</u>	<u>\$ (14)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STORM DRAIN CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 20,000	\$ 20,000	\$ 102,508	\$ 82,508
Investment income	95,000	95,000	89,806	(5,194)
TOTAL REVENUES	115,000	115,000	192,314	77,314
EXPENDITURES:				
Capital outlay	65,000	65,000	-	65,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,000	50,000	192,314	142,314
FUND BALANCE - BEGINNING OF YEAR	5,140,062	5,140,062	5,140,062	-
FUND BALANCE - END OF YEAR	<u>\$ 5,190,062</u>	<u>\$ 5,190,062</u>	<u>\$ 5,332,376</u>	<u>\$ 142,314</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIBRARY CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 30,000	\$ 30,000	\$ 24,750	\$ (5,250)
Investment income	<u>15,000</u>	<u>15,000</u>	<u>24,393</u>	<u>9,393</u>
TOTAL REVENUES	45,000	45,000	49,143	4,143
EXPENDITURES:				
Current:				
Community services	<u>30,000</u>	<u>38,778</u>	<u>27,151</u>	<u>11,627</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,000	6,222	21,992	15,770
FUND BALANCE - BEGINNING OF YEAR	<u>1,401,833</u>	<u>1,401,833</u>	<u>1,401,833</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,416,833</u>	<u>\$ 1,408,055</u>	<u>\$ 1,423,825</u>	<u>\$ 15,770</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SIGNALIZATION IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,000	\$ 2,000	\$ 2,580	\$ 580
EXPENDITURES:				
Capital outlay	148,234	148,234	-	148,234
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(146,234)	(146,234)	2,580	148,814
FUND BALANCE - BEGINNING OF YEAR	148,938	148,938	148,938	-
FUND BALANCE - END OF YEAR	<u>\$ 2,704</u>	<u>\$ 2,704</u>	<u>\$ 151,518</u>	<u>\$ 148,814</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 25,000	\$ 25,000	\$ 87,617	\$ 62,617
Investment income	<u>35,000</u>	<u>35,000</u>	<u>57,305</u>	<u>22,305</u>
TOTAL REVENUES	60,000	60,000	144,922	84,922
FUND BALANCE - BEGINNING OF YEAR	<u>3,274,693</u>	<u>3,274,693</u>	<u>3,274,693</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,334,693</u>	<u>\$ 3,334,693</u>	<u>\$ 3,419,615</u>	<u>\$ 84,922</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY FIRE PROTECTION CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 40,000	\$ 40,000	\$ 48,572	\$ 8,572
Investment income	13,000	13,000	5,109	(7,891)
TOTAL REVENUES	53,000	53,000	53,681	681
EXPENDITURES:				
Capital outlay	-	30,000	-	30,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,000	23,000	53,681	30,681
FUND BALANCE - BEGINNING OF YEAR	280,155	280,155	280,155	-
FUND BALANCE - END OF YEAR	\$ 333,155	\$ 303,155	\$ 333,836	\$ 30,681

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC IMPROVEMENT IN-LIEU CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 20,000	\$ 20,000	\$ 239,620	\$ 219,620
Investment income	6,000	6,000	14,411	8,411
TOTAL REVENUES	26,000	26,000	254,031	228,031
EXPENDITURES:				
Current:				
Public services	-	-	10,213	(10,213)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,000	26,000	243,818	217,818
OTHER FINANCING USES:				
Transfers out	-	-	(21,154)	(21,154)
NET CHANGE IN FUND BALANCE	26,000	26,000	222,664	196,664
FUND BALANCE - BEGINNING OF YEAR	637,356	637,356	637,356	-
FUND BALANCE - END OF YEAR	\$ 663,356	\$ 663,356	\$ 860,020	\$ 196,664

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TUMF CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 390,654	\$ 390,654	\$ 78,181	\$ (312,473)
EXPENDITURES:				
Capital outlay	390,654	390,654	25,768	364,886
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	52,413	52,413
OTHER FINANCING SOURCES:				
Transfers in	-	-	630,874	630,874
NET CHANGE IN FUND BALANCE	-	-	683,287	683,287
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(103,620)	(103,620)	(103,620)	-
FUND BALANCE - END OF YEAR	<u>\$ (103,620)</u>	<u>\$ (103,620)</u>	<u>\$ 579,667</u>	<u>\$ 683,287</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

BOAT LAUNCH CONSTRUCTION CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Community services	-	-	509,126	(509,126)
Capital outlay	4,528,453	4,528,453	3,817,179	711,274
TOTAL EXPENDITURES	4,528,453	4,528,453	4,326,305	202,148
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,528,453)	(4,528,453)	(4,326,305)	202,148
FUND BALANCE - BEGINNING OF YEAR	4,969,368	4,969,368	4,969,368	-
FUND BALANCE - END OF YEAR	\$ 440,915	\$ 440,915	\$ 643,063	\$ 202,148

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ASSESSMENT DISTRICTS CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Contribution from property owners	\$ -	\$ -	\$ 1,221,184	\$ 1,221,184
Investment income	2,000	2,000	3,576	1,576
TOTAL REVENUES	2,000	2,000	1,224,760	1,222,760
EXPENDITURES:				
Current:				
Public services	-	-	3,973,614	(3,973,614)
Capital outlay	130,000	130,000	-	130,000
TOTAL EXPENDITURES	130,000	130,000	3,973,614	(3,843,614)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(128,000)	(128,000)	(2,748,854)	(2,620,854)
FUND BALANCE - BEGINNING OF YEAR	3,577,831	3,577,831	3,577,831	-
FUND BALANCE - END OF YEAR	\$ 3,449,831	\$ 3,449,831	\$ 828,977	\$ (2,620,854)

See independent auditors' report.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF LAKE ELSINORE, CALIFORNIA

PERMANENT FUND

June 30, 2012

Endowment Trust - to account for assets held by the City as a trustee capacity for the Adolph Korn Estate. Money is held for the purpose of building a nurses home for a proposed hospital within the City. Until that time, interest earnings from the estate are used as a scholarship fund for college tuition for students seeking a degree in the nursing field.

CITY OF LAKE ELSINORE, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ENDOWMENT TRUST - PERMANENT FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 400	\$ 400	\$ 223	\$ (177)
FUND BALANCE - BEGINNING OF YEAR	<u>30,728</u>	<u>30,728</u>	<u>30,728</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 31,128</u>	<u>\$ 31,128</u>	<u>\$ 30,951</u>	<u>\$ (177)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

AGENCY FUNDS

June 30, 2012

Kangaroo Rat - to account for receipts of Kangaroo Rat fees collected from developers for the Habitat Conservation Plan administered by the Riverside County Habitat Conservation Agency (RCHCA). Fees forwarded by RCHCA are intended to be used to address severe economic impacts on the Stephens' kangaroo rat that is listed as an endangered species.

Developer Deposit Trust - to account for receipts of deposits paid by developers.

Assessment Districts - to account for receipts of special assessments and taxes that will be used to pay interest and principal on the bonds.

Lake Maintenance - to account for receipts made by Elsinore Valley Municipal Water District and City to jointly fund the purchase of water to keep the lake level stabilized.

Destratification Equipment Replacement Fund - to account for receipts made by Elsinore Valley Municipal Water District, Riverside County and the City to replace equipment for the axial flow pump destratification system in the lake.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2012

	<u>Kangaroo Rat</u>	<u>Developer Deposit Trust</u>	<u>Assessment Districts</u>	<u>Lake Maintenance</u>	<u>Destratification Equipment Replacement</u>	<u>Total Agency Funds</u>
ASSETS						
Cash and investments	\$ 2,496	\$ 1,032,633	\$ 2,067,031	\$ -	\$ 40,879	\$ 3,143,039
Cash and investments with fiscal agents	-	-	40,660,236	647,647	-	41,307,883
Accrued interest receivable	-	-	364	-	-	364
Due from other governments	-	-	375,850	-	33,333	409,183
TOTAL ASSETS	<u>\$ 2,496</u>	<u>\$ 1,032,633</u>	<u>\$43,103,481</u>	<u>\$ 647,647</u>	<u>\$ 74,212</u>	<u>\$44,860,469</u>
LIABILITIES						
Accounts payable	\$ 2,496	\$ 9,708	\$ 426,736	\$ -	\$ -	\$ 438,940
Deposits and other liabilities	-	1,022,925	65,000	647,647	74,212	1,809,784
Due to other governments	-	-	3,201,420	-	-	3,201,420
Due to bondholders	-	-	39,410,325	-	-	39,410,325
TOTAL LIABILITIES	<u>\$ 2,496</u>	<u>\$ 1,032,633</u>	<u>\$43,103,481</u>	<u>\$ 647,647</u>	<u>\$ 74,212</u>	<u>\$44,860,469</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
KANGAROO RAT				
ASSETS:				
Cash and investments	\$ -	\$ 2,496	\$ -	\$ 2,496
LIABILITIES:				
Accounts payable	\$ -	\$ 2,496	\$ -	\$ 2,496
DEVELOPER DEPOSIT TRUST				
ASSETS:				
Cash and investments	\$ 1,622,068	\$ -	\$ 589,435	\$ 1,032,633
LIABILITIES:				
Accounts payable	\$ 1,000	\$ 8,708	\$ -	\$ 9,708
Deposits and other liabilities	1,621,068	-	598,143	1,022,925
TOTAL LIABILITIES	<u>\$ 1,622,068</u>	<u>\$ 8,708</u>	<u>\$ 598,143</u>	<u>\$ 1,032,633</u>
ASSESSMENT DISTRICTS				
ASSETS:				
Cash and investments	\$ 2,202,959	\$ -	\$ 135,928	\$ 2,067,031
Cash and investments with fiscal agents	39,590,510	1,069,726	-	40,660,236
Accrued interest receivable	723	-	359	364
Due from other governments	563,056	-	187,206	375,850
TOTAL ASSETS	<u>\$ 42,357,248</u>	<u>\$ 1,069,726</u>	<u>\$ 323,493</u>	<u>\$ 43,103,481</u>
LIABILITIES:				
Accounts payable	\$ 535,948	\$ -	\$ 109,212	\$ 426,736
Deposits and other liabilities	65,000	-	-	65,000
Due to other governments	3,199,003	2,417	-	3,201,420
Due to bondholders	38,557,297	853,028	-	39,410,325
TOTAL LIABILITIES	<u>\$ 42,357,248</u>	<u>\$ 855,445</u>	<u>\$ 109,212</u>	<u>\$ 43,103,481</u>

(Continued)

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 (CONTINUED)

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
LAKE MAINTENANCE				
ASSETS:				
Cash and investments with fiscal agent	\$ 431,122	\$ 216,525	\$ -	\$ 647,647
LIABILITIES:				
Deposits and other liabilities	\$ 431,122	\$ 216,525	\$ -	\$ 647,647
DESTRATIFICATION EQUIPMENT				
ASSETS:				
Cash and investments	\$ 147,011	\$ -	\$ 106,132	\$ 40,879
Due from other governments	-	33,333	-	33,333
TOTAL ASSETS	\$ 147,011	\$ 33,333	\$ 106,132	\$ 74,212
LIABILITIES:				
Accounts payable	\$ 2,481	\$ -	\$ 2,481	\$ -
Deposits and other liabilities	144,530	-	70,318	74,212
TOTAL LIABILITIES	\$ 147,011	\$ -	\$ 72,799	\$ 74,212
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 3,972,038	\$ 2,496	\$ 831,495	\$ 3,143,039
Cash and investments with fiscal agents	40,021,632	1,286,251	-	41,307,883
Accrued interest receivable	723	-	359	364
Due from other governments	563,056	33,333	187,206	409,183
TOTAL ASSETS	\$ 44,557,449	\$ 1,322,080	\$ 1,019,060	\$ 44,860,469
LIABILITIES:				
Accounts payable	\$ 539,429	\$ 11,204	\$ 111,693	\$ 438,940
Deposits and other liabilities	2,261,720	216,525	668,461	1,809,784
Due to other governments	3,199,003	2,417	-	3,201,420
Due to bondholders	38,557,297	853,028	-	39,410,325
TOTAL LIABILITIES	\$ 44,557,449	\$ 1,083,174	\$ 780,154	\$ 44,860,469

See independent auditors' report.

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF LAKE ELSINORE, CALIFORNIA

CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE

For the year ended June 30, 2012

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 2,926,422
Building and structures	16,664,777
Improvements other than buildings	7,960,311
Machinery and equipment	2,378,054
Furniture and fixtures	715,135
Automotive	1,989,275
Infrastructure	182,642,462
Construction in progress	12,063,686

TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 227,340,123
---	----------------

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General Fund	\$ 109,104,503
Supplemental Law Enforcement Service Special Revenue Fund	102,366
Justice Assistance Grant Program Special Revenue Fund	37,775
Office of Traffic and Safety Special Revenue Fund	672,037
Traffic Offender Special Revenue Fund	149,633
Gas Tax Special Revenue Fund	2,904,003
Transportation - Measure A Special Revenue Fund	3,525,807
Traffic Safety Special Revenue Fund	5,959
City-Wide Lighting and Landscaping Special Revenue Fund	57,059
Air Pollution Special Revenue Fund	239,059
C.D.B.G. Special Revenue Fund	1,702,901
Developer Agreement Revenue/Trust Special Revenue Fund	1,835,917
City Hall/Public Works Special Revenue Fund	165,611
Community Center Special Revenue Fund	55,001
Lakeside Facilities Special Revenue Fund	643,609
Miscellaneous Grants Special Revenue Fund	5,296,404
N.P.D.E.S. Special Revenue Fund	132,736
SB821 Pedestrian Sidewalk Special Revenue Fund	80,058
Miscellaneous General Projects Capital Projects Fund	27,221,120
Park Improvement and Development Capital Projects Fund	1,384,830
Fire Station Capital Projects Fund	170,990
Street Capital Improvements Capital Projects Fund	231,454
Storm Drain Capital Projects Fund	133
Signalization Improvement Capital Projects Fund	224,718
Traffic Improvements Capital Projects Fund	4,571,000
City Fire Protection Capital Projects Fund	782,902
Public Improvement In-Lieu Capital Projects Fund	393,064
TUMF Capital Projects Fund	1,616,233
Boat Launch Capital Projects Fund	4,326,306
Assessment Districts Capital Projects Fund	59,706,935

TOTAL INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE	\$ 227,340,123
--	----------------

See independent auditors' report.

STATISTICAL SECTION

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

This part of the City of Lake Elsinore's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	168 - 177
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	179 - 183
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	184 - 190
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	191 - 192
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	193 - 196

CITY OF LAKE ELSINORE

NET ASSETS BY COMPONENT

Last Ten Fiscal Years
(accrual bases of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 78,779,255	\$ 76,438,068	\$ 79,194,299	\$ 86,605,543
Restricted	64,336,191	64,509,263	76,616,021	135,197,478
Unrestricted	<u>(111,687,867)</u>	<u>(107,107,310)</u>	<u>(103,129,508)</u>	<u>(93,977,441)</u>
Total governmental activities net assets:	<u>\$ 31,427,579</u>	<u>\$ 33,840,021</u>	<u>\$ 52,680,812</u>	<u>\$ 127,825,580</u>

Source: City Finance Department

Fisal Year					
2007	2008	2009	2010	2011	2012
\$ 97,369,896	\$ 125,539,928	\$ 141,550,858	\$ 142,968,348	\$ 141,427,875	\$ 134,976,102
173,307,658	151,937,522	122,099,858	110,984,917	134,777,767	141,619,986
<u>(92,504,071)</u>	<u>(96,240,481)</u>	<u>(96,792,528)</u>	<u>(93,859,128)</u>	<u>(110,573,961)</u>	<u>(48,524,474)</u>
<u>\$ 178,173,483</u>	<u>\$ 181,236,969</u>	<u>\$ 166,858,188</u>	<u>\$ 160,094,137</u>	<u>\$ 165,631,681</u>	<u>\$ 228,071,614</u>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 10,884,758	\$ 9,938,841	\$ 12,208,992	\$ 12,700,900
Public safety	4,602,363	5,707,203	7,375,602	8,369,753
Community development	2,146,985	3,534,782	3,083,947	12,009,611
Public services	6,165,477	5,833,376	8,404,675	8,739,770
Community services	3,819,864	4,008,347	3,994,151	3,519,545
Interest on long-term debt	14,205,151	10,935,104	11,077,433	11,146,325
Total governmental activities expenses	<u>41,824,598</u>	<u>39,957,653</u>	<u>46,144,800</u>	<u>56,485,904</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	6,474,617	5,874,918	10,081,980	12,199,668
Public safety	184,242	25,259	39,824	44,919
Community development	1,923,284	1,880,802	4,864,686	11,334,631
Public services	4,920,172	92,933	70,631	73,260
Community services	577,152	1,624,467	1,658,146	1,677,140
Operating grants and contributions	387,815	3,807,619	3,586,701	2,600,374
Capital grants and contributions	709,009	-	4,332,067	49,777,269
Total governmental activities program revenues	<u>15,176,291</u>	<u>13,305,998</u>	<u>24,634,035</u>	<u>77,707,261</u>
Net revenues (expenses):				
Governmental activities	<u>(26,648,307)</u>	<u>(26,651,655)</u>	<u>(21,510,765)</u>	<u>21,221,357</u>
Total net revenues (expenses)	<u>\$ (26,648,307)</u>	<u>\$ (26,651,655)</u>	<u>\$ (21,510,765)</u>	<u>\$ 21,221,357</u>

Source: City Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 10,414,729	\$ 8,195,897	\$ 10,562,122	\$ 10,252,727	\$ 11,079,707	\$ 11,944,507
11,686,158	14,293,269	13,139,389	11,022,531	11,212,605	11,911,363
21,514,552	32,342,175	31,976,146	15,847,532	16,060,065	4,989,313
9,867,133	10,861,673	14,123,738	14,812,199	8,145,956	9,834,764
6,801,741	6,013,006	4,737,856	4,295,719	4,704,242	7,010,026
11,531,570	10,145,830	10,168,917	10,509,806	7,674,342	8,835,312
<u>71,815,883</u>	<u>81,851,850</u>	<u>84,708,168</u>	<u>66,740,514</u>	<u>58,876,917</u>	<u>54,525,285</u>
9,204,517	6,885,167	4,828,438	3,181,706	3,167,346	3,035,324
-	-	-	-	-	-
4,362,650	3,960,353	1,064,036	924,493	1,508,526	1,247,117
-	-	-	-	-	-
1,364,513	1,422,754	1,482,146	1,578,779	1,586,602	1,578,318
5,043,547	4,109,188	6,482,888	4,561,669	3,292,972	3,306,452
42,085,516	2,159,798	-	-	6,573,426	4,539,293
<u>62,060,743</u>	<u>18,537,260</u>	<u>13,857,508</u>	<u>10,246,647</u>	<u>16,128,872</u>	<u>13,706,504</u>
<u>(9,755,140)</u>	<u>(63,314,590)</u>	<u>(70,850,660)</u>	<u>(56,493,867)</u>	<u>(42,748,045)</u>	<u>(40,818,781)</u>
<u>\$ (9,755,140)</u>	<u>\$ (63,314,590)</u>	<u>\$ (70,850,660)</u>	<u>\$ (56,493,867)</u>	<u>\$ (42,748,045)</u>	<u>\$ (40,818,781)</u>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 11,218,220	\$ 10,891,618	\$ 16,521,561	\$ 23,190,099
Sales taxes	5,084,099	5,274,927	6,133,299	6,367,466
Franchise taxes	884,455	996,394	1,138,484	1,473,018
Other taxes	124,292	515,018	731,100	1,093,484
Fines, Forfeitures and Penalties	365,803	377,262	427,975	481,065
Investment Income	7,061,692	7,735,043	8,236,698	11,217,026
Miscellaneous	1,300,198	2,147,938	3,400,243	4,852,432
Gain on Defeasance of Bonds	8,588,374	-	-	-
Special Item- Revenue from Forgiveness of Debt	324,678	-	-	-
Special Item- Gain on Settlement of Long-term Debt	6,724,591	-	-	-
Special Item - Extraordinary Gain on Dissolution of the Redevelopment Agency	-	-	-	-
Total governmental activities	<u>41,676,402</u>	<u>27,938,200</u>	<u>36,589,360</u>	<u>48,674,590</u>
Changes in net assets				
Governmental activities	<u>15,028,095</u>	<u>1,286,545</u>	<u>15,078,595</u>	<u>69,895,947</u>
Total primary government	<u>\$ 15,028,095</u>	<u>\$ 1,286,545</u>	<u>\$ 15,078,595</u>	<u>\$ 69,895,947</u>

Source: City Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 26,685,369	\$ 33,307,785	\$ 31,590,868	\$ 25,904,948	\$ 24,237,023	\$ 14,698,032
7,836,334	8,148,355	6,414,419	6,236,748	7,190,695	7,444,947
1,688,010	1,768,178	1,824,890	1,792,699	1,913,807	2,002,550
1,020,788	770,024	751,794	519,001	483,556	538,402
599,894	918,619	937,506	733,792	972,457	1,850,398
17,220,975	14,271,312	9,334,141	7,470,635	7,782,639	8,031,256
5,839,608	7,193,803	5,768,257	6,661,239	5,705,412	6,992,813
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	61,700,316
<u>60,890,978</u>	<u>66,378,076</u>	<u>56,621,875</u>	<u>49,319,062</u>	<u>48,285,589</u>	<u>103,258,714</u>
<u>51,135,838</u>	<u>3,063,486</u>	<u>(14,228,785)</u>	<u>(7,174,805)</u>	<u>5,537,544</u>	<u>62,439,933</u>
<u>\$ 51,135,838</u>	<u>\$ 3,063,486</u>	<u>\$ (14,228,785)</u>	<u>\$ (7,174,805)</u>	<u>\$ 5,537,544</u>	<u>\$ 62,439,933</u>

CITY OF LAKE ELSINORE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 10,603,350	\$ 9,607,894	\$ 9,744,980	\$ 8,796,782
Unreserved	5,115,310	5,174,923	8,067,151	15,829,308
Total general fund	<u>\$ 15,718,660</u>	<u>\$ 14,782,817</u>	<u>\$ 17,812,131</u>	<u>\$ 24,626,090</u>
All other governmental funds:				
Reserved	\$ 124,515,734	\$ 122,139,124	\$ 126,093,490	\$ 185,264,579
Unreserved, reported in:				
Special revenue funds	4,894,111	7,686,320	5,010,728	6,382,838
Debt service funds	(3,523,760)	(8,665,854)	(7,503,643)	(11,915,554)
Capital projects funds	(5,395,439)	(50,687)	7,608,315	9,141,046
Total all other governmental funds	<u>\$ 120,490,646</u>	<u>\$ 121,108,903</u>	<u>\$ 131,208,890</u>	<u>\$ 188,872,909</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other	-	-	-	-
Assigned to:				
Capital projects funds	-	-	-	-
Unassigned in:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: GASB 54 was implemented in 2011, prior years have no comparable data.

Source: City Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 9,936,859	\$ 9,476,355	\$ 8,580,684	\$ 8,593,518	\$ -	\$ -
10,496,356	9,285,492	8,762,248	6,323,801	-	-
<u>\$ 20,433,215</u>	<u>\$ 18,761,847</u>	<u>\$ 17,342,932</u>	<u>\$ 14,917,319</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 215,008,475	\$ 188,270,868	\$ 163,563,859	\$ 161,473,544	\$ -	\$ -
7,921,415	10,731,428	5,241,416	6,999,090	-	-
(10,006,673)	(5,375,005)	(3,841,954)	(28,305,645)	-	-
13,041,510	8,824,274	2,966,273	5,497,137	-	-
<u>\$ 225,964,727</u>	<u>\$ 202,451,565</u>	<u>\$ 167,929,594</u>	<u>\$ 145,664,126</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,027,179	\$ 2,505,503
-	-	-	-	10,788,602	10,826,885
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,815,781</u>	<u>\$ 13,332,388</u>
\$ -	\$ -	\$ -	\$ -	\$ 84,348,929	\$ 76,688,811
-	-	-	-	81,289,209	69,769,754
-	-	-	-	9,352,394	2,435,730
-	-	-	-	14,639,940	7,087,229
-	-	-	-	11,255,852	12,548,403
-	-	-	-	(214,942)	(969,355)
-	-	-	-	(32,948,107)	(18,246)
-	-	-	-	(4,899,269)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,824,006</u>	<u>\$ 167,542,326</u>

CITY OF LAKE ELSINORE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property taxes	\$ 10,960,120	\$ 10,891,618	\$ 16,521,561	\$ 23,190,099
Other taxes	6,350,946	6,786,339	7,192,270	9,265,130
Licenses, permits and fees	4,784,007	4,888,957	9,133,887	18,047,742
Intergovernmental revenues	4,685,876	3,807,619	3,586,701	2,600,374
Charges for services	3,082,673	3,113,391	6,019,081	5,712,480
Fines, forfeitures and penalties	365,803	377,262	427,975	481,065
Investment income	7,350,982	7,793,901	8,302,080	11,290,353
Special assessments	1,379,409	1,496,031	1,562,300	1,569,396
Contributions from property owners	-	-	-	49,777,269
Miscellaneous	3,338,771	2,147,938	3,400,242	4,852,433
Total revenues	42,298,587	41,303,056	56,146,097	126,786,341
Expenditures				
Current:				
General government	5,514,205	3,993,019	6,673,543	5,319,941
Public safety	4,527,765	5,650,526	7,375,602	8,369,753
Community development	2,146,985	3,469,142	3,083,947	5,853,938
Public services	4,837,013	4,465,356	7,067,549	7,385,171
Community services	3,138,577	3,310,108	3,306,649	2,823,109
Pass-through payments	2,801,592	3,033,654	3,957,978	5,671,146
Set aside suspension	-	-	-	-
SERAF payments	-	-	-	-
Capital outlay	2,228,982	2,649,498	2,055,243	17,094,933
Debt service:				
Payment to refunding bond escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Principal retirement	2,786,033	3,853,166	3,828,484	4,023,167
Interest and fiscal charges	10,678,462	11,254,303	11,008,078	11,097,091
Debt issuance costs	2,484,161	3,500	-	-
Total expenditures	41,143,775	41,682,272	48,357,073	67,638,249
Excess (deficiency) of revenues over (under) expenditures	1,154,812	(379,216)	7,789,024	59,148,092
Other financing sources (uses):				
Transfers in	501,913	26,486,109	5,423,965	1,823,891
Transfers out	(501,913)	(26,486,109)	(5,423,965)	(1,823,891)
Settlement	(1,250,000)	-	-	-
Contribution to RDA	(1,947,000)	-	-	-
Proceeds of refunding bonds	31,570,000	-	-	-
Debt issuance	-	-	391,811	81,065
Loans issued	-	-	-	-
Loan payments	-	-	-	-
Premium on bonds	-	-	-	-
Bond discount	-	-	-	-
Refunding and tax allocation bonds issued	-	-	-	-
Capital debt issued	-	-	-	-
Payment to refunded bond escrow agent	(31,666,626)	-	-	-
Total other financing sources (uses)	(3,293,626)	-	391,811	81,065
Net change in fund balances	\$ (2,138,814)	\$ (379,216)	\$ 8,180,835	\$ 59,229,157
Debt service as a percentage of noncapital expenditures	41.0%	38.7%	32.0%	29.9%

Source: City Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 26,685,369	\$ 33,307,785	\$ 31,590,868	\$ 25,429,344	\$ 24,443,046	\$ 14,738,584
10,503,108	10,741,363	9,071,246	8,517,826	9,557,873	9,911,400
7,775,477	6,266,086	2,267,568	2,587,918	3,291,938	2,908,091
2,700,185	4,109,188	3,630,144	7,322,908	4,680,095	6,193,777
5,791,690	4,579,433	3,548,413	1,594,774	1,383,934	1,374,351
599,894	918,619	937,506	733,792	972,457	1,850,398
17,268,845	14,237,891	9,445,099	7,928,611	7,147,497	7,180,018
1,364,513	1,422,754	1,482,146	1,578,779	1,586,602	1,578,318
42,085,516	2,159,798	-	-	5,352,614	1,221,184
5,839,608	7,193,803	5,768,257	6,910,516	5,608,837	7,384,749
<u>120,614,205</u>	<u>84,936,720</u>	<u>67,741,247</u>	<u>62,604,468</u>	<u>64,024,893</u>	<u>54,340,870</u>
8,548,606	6,190,346	6,479,795	6,797,320	8,904,165	7,467,755
11,686,158	14,293,269	13,139,389	11,022,531	11,212,605	11,911,364
3,481,278	4,549,297	4,662,003	3,049,501	18,805,484	1,608,782
8,431,702	9,321,939	12,202,971	12,901,064	6,221,286	7,800,095
6,063,747	5,221,331	3,750,267	3,313,082	3,714,646	5,963,873
7,006,699	9,878,294	9,647,322	7,782,513	7,655,170	3,542,473
-	-	-	3,750,000	-	-
-	-	-	6,976,853	1,436,411	-
25,236,661	49,056,332	38,113,875	4,394,834	2,931,038	10,268,753
-	-	-	1,987,745	1,832,080	-
-	1,213,789	-	1,584,965	1,874,527	238,290
4,979,674	3,872,984	5,469,538	6,037,770	6,928,822	6,091,578
11,492,802	10,132,679	10,066,977	10,318,720	9,046,095	7,951,971
-	-	-	-	-	-
<u>86,927,327</u>	<u>113,730,260</u>	<u>103,532,137</u>	<u>79,916,898</u>	<u>80,562,329</u>	<u>62,844,934</u>
<u>33,686,878</u>	<u>(28,793,540)</u>	<u>(35,790,890)</u>	<u>(17,312,430)</u>	<u>(16,537,436)</u>	<u>(8,504,064)</u>
7,089,415	6,412,891	4,386,162	4,500,694	6,186,205	2,509,613
(7,089,415)	(6,412,891)	(4,386,162)	(4,500,694)	(6,186,205)	(2,509,613)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	26,290,000	47,780,000	-
-	-	-	(23,235,000)	(27,495,000)	-
-	274,026	-	-	-	-
-	(3,117)	-	(166,785)	(621,302)	(30,000)
-	22,295,000	-	26,290,000	39,595,000	1,405,000
-	3,265,000	-	-	-	-
-	(22,221,899)	-	(22,082,648)	(25,662,920)	(1,345,000)
-	3,609,010	-	7,095,567	33,595,778	30,000
<u>\$ 33,686,878</u>	<u>\$ (25,184,530)</u>	<u>\$ (35,790,890)</u>	<u>\$ (10,216,863)</u>	<u>\$ 17,058,342</u>	<u>\$ (8,474,064)</u>
26.7%	23.5%	23.7%	26.0%	25.0%	27.0%

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF LAKE ELSINORE

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(rate per \$100 of taxable value)

Agency	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
East Municipal Water	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Menifee School District	0.00000	0.02117	0.01625	0.01435	0.00578	0.00549	0.02370	0.03254	0.03436	0.03486
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
Perris School District	0.00000	0.00000	0.00000	0.00000	0.00000	0.02999	0.02894	0.02485	0.01983	0.01983
Perris Union High School	<u>0.01748</u>	<u>0.0156</u>	<u>0.01192</u>	<u>0.0235</u>	<u>0.03222</u>	<u>0.0211</u>	<u>0.02031</u>	<u>0.02686</u>	<u>0.03126</u>	<u>0.03429</u>
Total Direct and Overlapping ² Tax Rates	1.02418	1.04287	1.03397	1.04305	1.04270	1.06108	1.07725	1.08855	1.08915	1.09268
City's Share of 1% Levy Per Prop 13 ³	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415
General Obligation Debt Rate:										
RDA basic rate ⁴	<u>1.00670</u>	<u>1.00610</u>	<u>1.00580</u>	<u>1.00520</u>	<u>1.00470</u>	<u>1.00450</u>	<u>1.00430</u>	<u>1.00430</u>	<u>1.00370</u>	<u>1.00370</u>
Total Direct Rate ⁵	<u><u>0.63470</u></u>	<u><u>0.61268</u></u>	<u><u>0.58827</u></u>	<u><u>0.57653</u></u>	<u><u>0.53996</u></u>	<u><u>0.51615</u></u>	<u><u>0.51762</u></u>	<u><u>0.53493</u></u>	<u><u>0.53269</u></u>	<u><u>0.53269</u></u>

Notes:

¹In 1978, the voters of the State of California passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 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.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

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

⁴Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values

⁵Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Source: Riverside County Assessor 2002/03 - 2011/12 Tax Rate Table and Annual Tax Increment Tables

CITY OF LAKE ELSINORE
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2012		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (2)
100 East Wisconsin Avenue JV	\$ 50,629,868	1.29%	-	0.00%
Pacific Aggregates, Inc.	47,953,485	1.22%	-	0.00%
Mohr Affinity, LLC	44,325,390	1.13%	-	0.00%
Castle and Cooke, Lake Elsinore West	38,998,877	0.99%	-	0.00%
JPMCC 2006-LDP6 Lake Elsinore	25,034,201	0.64%	-	0.00%
Broadstone Rivers Edge	19,000,000	0.48%	-	0.00%
Pacific Clay Products, Inc.	18,722,325	0.48%	-	0.00%
Richmond American Homes of Maryland	17,725,422	0.45%	-	0.00%
Elsinore Valley Water and Sewer Facilities	16,880,642	0.43%	-	0.00%
Costco Wholesale	16,845,438	0.43%	-	0.00%
MCG Outlet Centers LP	-	0.00%	\$ 77,845,179	4.71%
Albertsons, Inc.	-	0.00%	15,120,701	0.91%
Wares Delaware Corporation	-	0.00%	14,258,094	0.86%
Oak Grove Equities	-	0.00%	12,077,104	0.73%
Pardee Grossman Cottonwood Canyon	-	0.00%	11,949,903	0.72%
KB Home Coastal, Inc.	-	0.00%	10,087,029	0.61%
Richmond American Construction Co.	-	0.00%	10,087,029	0.61%
California Harbor LP	-	0.00%	9,492,447	0.57%
Louis F. DePasquale	-	0.00%	8,632,935	0.52%
Comcast of California VII, Inc.	-	0.00%	8,594,017	0.52%
	<u>\$ 296,115,648</u>	<u>7.55%</u>	<u>\$ 178,144,438</u>	<u>10.77%</u>

(1) 2011-12 Local Secured Assessed Valuation: \$ 3,923,526,176

(2) 2002-03 Local Secured Assessed Valuation: \$ 1,653,495,209

Source: Riverside County Assessor 2002/03 - 2011/12 Combined Tax Rolls.

CITY OF LAKE ELSINORE
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
2003	\$ 1,035,888	\$ 1,193,908	115.25%	\$ 12,436	\$ 1,206,344	116.46%
2004	1,091,168	1,129,675	103.53%	99,982	1,229,657	112.69%
2005	1,327,699	1,405,509	105.86%	313,819	1,719,328	129.50%
2006	1,446,320	1,742,413	120.47%	227,007	1,969,420	136.17%
2007	1,714,890	2,131,576	124.30%	212,538	2,344,114	136.69%
2008	2,208,181	2,313,581	104.77%	143,942	2,457,523	111.29%
2009	2,230,658	2,254,961	101.09%	74,601	2,329,562	104.43%
2010	1,894,552	1,958,553	103.38%	138,415	2,096,968	110.68%
2011	1,900,256	1,797,763	94.61%	113,784	1,911,547	100.59%
2012	1,874,319	1,770,492	94.46%	64,528 (1)	1,835,020	97.90%

Note:

The amounts presented include City of Lake Elsinore property taxes only (excludes Redevelopment Agency taxes).

(1) Collections received through January 31, 2013.

CITY OF LAKE ELSINORE

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		Taxable Assessed Value
	Secured	Unsecured	
2003	\$ 158,974,975	\$ 63,785,234	\$ 222,760,209
2004	1,866,612,714	71,494,000	1,938,106,714
2005	2,182,647,610	93,461,511	2,276,109,121
2006	2,782,774,310	88,651,279	2,871,425,589
2007	3,586,255,450	84,367,728	3,670,623,178
2008	4,805,775,656	119,981,392	4,925,757,048
2009	4,813,256,755	114,151,249	4,927,408,004
2010	3,957,220,879	104,899,011	4,062,119,890
2011	3,780,321,503	148,430,445	3,928,751,948
2012	3,777,595,058	145,931,118	3,923,526,176

Notes:

Exemptions are netted directly against the individual property categories.

n/a=not available

In 1978 the voters of the State of California passed Proposition 13 which limited property 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 increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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.

Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
Secured	Unsecured			
\$ 1,061,846,886	\$ 61,221,639	\$ 1,123,068,525	0.63470%	
n/a	n/a	n/a	0.61268%	
1,309,466,152	88,347,530	1,397,813,682	0.58827%	
1,614,383,654	82,665,786	1,697,049,440	0.57653%	
1,917,886,856	79,195,924	1,997,082,780	0.53996%	
2,393,710,398	100,647,142	2,494,357,540	0.51615%	
2,411,198,603	91,268,375	2,502,466,978	0.51762%	
2,077,411,999	83,367,167	2,160,779,166	0.53493%	
1,998,889,644	79,994,003	2,078,883,647	0.53269%	
1,955,649,172	78,927,893	2,034,577,065	0.52091%	

CITY OF LAKE ELSINORE

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				
	Local Agency Revenue Bonds	Tax Allocation Bonds	Subordinate Tax Bonds	Revenue/ Revenue Refunding Bonds	Developer/ Owner Agreements
2003	\$ 60,375,000	\$ 59,290,000	\$ -	\$ 15,660,000	\$ 3,098,473
2004	59,315,000	58,310,000	-	15,660,000	2,704,814
2005	58,285,000	57,320,000	-	15,375,000	4,718,010
2006	57,160,000	56,280,000	-	15,075,000	4,396,460
2007	55,845,000	55,175,000	-	14,760,000	3,933,650
2008	58,755,000	54,010,000	-	14,435,000	3,635,257
2009	56,745,000	52,785,000	-	14,095,000	3,441,041
2010	53,725,000	54,545,000	-	13,740,000	3,263,574
2011	64,220,000	60,080,000	4,610,000	13,365,000	3,070,763
2012	61,835,000	58,580,000	4,610,000	12,975,000	2,790,191

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

Governmental Activities (Continued)

Notes/ Loans Payable	Capitalized Lease	Insurance Premium Deposit Payable	OPEB Obligation	Total Governmental Activities	Percentage of Personal Income	Debt per Capita
\$ 1,710,407	\$ 28,185	\$ -	\$ -	\$ 140,162,065	26.82%	4,489
1,270,901	57,992	-	-	137,318,707	23.85%	4,109
1,055,676	306,398	-	-	137,060,084	20.93%	3,817
1,012,501	234,021	-	-	134,157,982	18.28%	3,513
403,126	166,532	-	-	130,283,308	15.30%	3,165
356,589	93,478	-	-	131,285,324	12.75%	2,760
307,542	20,316	537,869	1,048,397	128,980,165	11.90%	2,604
256,760	-	518,521	2,086,786	128,135,641	12.03%	2,546
204,046	-	-	2,877,575	148,427,384	15.08%	2,911
115,336	-	-	4,706,761	145,612,288	13.54%	2,746

CITY OF LAKE ELSINORE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt		Percent of Assessed Value	Per Capita
	Tax Allocation Bonds	Total		
2003	59,290,000	59,290,000	26.62%	1,899
2004	58,310,000	58,310,000	3.01%	1,745
2005	57,320,000	57,320,000	2.52%	1,596
2006	56,280,000	56,280,000	1.96%	1,474
2007	55,175,000	55,175,000	1.50%	1,340
2008	54,010,000	54,010,000	1.10%	1,135
2009	52,785,000	52,785,000	1.07%	1,066
2010	54,545,000	54,545,000	1.34%	1,084
2011	60,080,000	60,080,000	1.53%	1,178
2012	58,580,000	58,580,000	1.49%	1,105

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

CITY OF LAKE ELSINORE

DIRECT AND OVERLAPPING DEBT

June 30, 2012

2011-12 Assessed Valuation	\$ 3,923,526,176
Redevelopment Agency Incremental Valuation	2,034,577,065
Adjusted Assessed Valuation	<u>\$ 5,958,103,241</u>

	Percentage Applicable (1)	Outstanding Debt 6/30/12	City's Share of Overlapping Debt 6/30/12
<u>Overlapping Tax and Assessment Debt:</u>			
Riverside County Flood Control District, Zone No. 3 Benefit Assessment District	48.156%	\$ 2,380,000	\$ 1,146,113
Metropolitan Water District	0.097%	196,545,000	190,649
Perris Union High School District	1.119%	53,032,260	593,431
Menifee Union School District	1.707%	44,933,922	767,022
Perris School District	0.392%	7,364,571	28,869
Lake Elsinore Unified School District Community Facilities Districts	100.000%	24,347,327	24,347,327
City of Lake Elsinore Community Facilities District No. 88-3	100.000%	25,610,000	25,610,000
City of Lake Elsinore Community Facilities District No. 90-2	100.000%	13,805,000	13,805,000
City of Lake Elsinore Community Facilities District No. 95-1	100.000%	1,405,000	1,405,000
City of Lake Elsinore Community Facilities District No. 98-1	100.000%	17,440,000	17,440,000
City of Lake Elsinore Community Facilities District No. 2003-2	100.000%	31,915,000	31,915,000
City of Lake Elsinore Community Facilities District No. 2004-3	100.000%	45,240,000	45,240,000
City of Lake Elsinore Community Facilities District No. 2005-1	100.000%	8,770,000	8,770,000
City of Lake Elsinore Community Facilities District No. 2005-2	100.000%	24,355,000	24,355,000
City of Lake Elsinore Community Facilities District No. 2005-5	100.000%	3,265,000	3,265,000
City of Lake Elsinore Community Facilities District No. 2005-6	100.000%	3,475,000	3,475,000
City of Lake Elsinore Community Facilities District No. 2006-2	100.000%	7,185,000	7,185,000
City of Lake Elsinore 1915 Act Bonds	100.000%	18,638,058	18,638,058
Total overlapping tax and assessment debt			<u>\$ 228,176,468</u>
<u>Direct and Overlapping General Fund Debt:</u>			
Riverside County General Fund Obligations	1.430%	\$ 655,042,180	9,367,103
Riverside County Pension Obligations	1.430%	357,540,000	5,112,822
Riverside County Board of Education Certificates of Participation	1.430%	5,055,000	72,287
Mount San Jacinto Community College District General Fund Obligations	3.789%	11,950,000	452,786
Lake Elsinore Unified School District Certificates of Participation	29.140%	37,670,000	10,977,038
Perris Union High School District General Fund Obligations	1.119%	30,675,000	343,253
Menifee and Perris School District Certificates of Participation	1.707 & 0.392 %	14,345,000	134,475
City of Lake Elsinore General Fund Obligations	100.000%	12,975,000	12,975,000
Elsinore Water District Certificates of Participation	48.067%	183,319	88,116
Ortega Trail Recreation and Park District Certificates of Participation	36.623%	75,000	27,467
Total gross direct and overlapping general fund debt			<u>39,550,347</u>
Less: Riverside County General Fund self-supporting obligations			<u>177,261</u>
Total net direct and overlapping general fund debt			<u>\$ 39,373,086</u>
Gross combined total debt (2)			<u>\$ 267,726,814</u>
Net total direct and overlapping debt			<u>\$ 267,549,553</u>

Notes:

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

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

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

Source: California Municipal Statistics

CITY OF LAKE ELSINORE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation	\$ 1,626,026,872	\$ 1,907,367,963	\$ 2,243,178,491	\$ 2,851,510,537
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	406,506,718	476,841,991	560,794,623	712,877,634
Debt limit percentage	15%	15%	15%	15%
Debt limit	60,976,008	71,526,299	84,119,193	106,931,645
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 60,976,008</u>	<u>\$ 71,526,299</u>	<u>\$ 84,119,193</u>	<u>\$ 106,931,645</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 3,648,621,060	\$ 4,887,272,022	\$ 4,886,177,664	\$ 4,019,961,300	\$ 4,062,119,890	\$ 3,923,526,176
25%	25%	25%	25%	25%	25%
912,155,265	1,221,818,006	1,221,544,416	1,004,990,325	1,015,529,973	980,881,544
15%	15%	15%	15%	15%	15%
136,823,290	183,272,701	183,231,662	150,748,549	152,329,496	147,132,232
-	-	-	-	-	-
<u>\$ 136,823,290</u>	<u>\$ 183,272,701</u>	<u>\$ 183,231,662</u>	<u>\$ 150,748,549</u>	<u>\$ 152,329,496</u>	<u>\$ 147,132,232</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF LAKE ELSINORE
 PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Successor Redevelopment Tax Increment Revenue	Debt Service		Coverage	Tax Allocation Bonds
		Principal	Interest		
2003	\$ 9,824,602	\$ 1,377,603	\$ 3,992,473	1.83	\$ 59,290,000
2004	9,749,507	1,413,940	3,635,594	1.93	58,310,000
2005	13,136,081	1,300,793	3,629,620	2.66	57,320,000
2006	18,500,277	1,932,704	3,888,298	3.18	56,280,000
2007	21,112,545	2,307,832	4,108,847	3.29	55,175,000
2008	26,484,367	1,688,978	3,663,448	4.95	54,010,000
2009	24,892,412	1,761,323	3,558,405	4.68	52,785,000
2010	19,877,054	1,295,000	3,304,802	4.32	54,545,000
2011	19,004,495	1,195,000	2,315,314	5.41	60,080,000
2012	9,451,004	1,500,000	1,071,681	3.68	58,580,000

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

CITY OF LAKE ELSINORE
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3) *	Unemployment Rate (4)
2003	31,225	\$ 522,538	\$ 16,735	6.30%
2004	33,423	575,658	17,223	6.30%
2005	35,905	654,965	18,242	5.80%
2006	38,185	734,050	19,224	5.20%
2007	41,164	851,375	20,683	4.90%
2008	47,567	1,029,928	21,652	5.80%
2009	49,528	1,083,488	21,876	8.20%
2010	50,324	1,065,544	21,174	13.20%
2011	50,983	984,074	19,302	14.30%
2012	53,024	1,075,380	20,281	13.20%

Sources:

(1) State Department of Finance

(2, 3*) Income Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data related to date. Post census trends in the population are extracted from a variety of data sources.

(4) California State Employment Development Department

CITY OF LAKE ELSINORE

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2012		2003	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Stater Bros. (3 stores today)	318	1.87%	140	1.40%
Walmart	219	1.29%	250	2.50%
Costco	172	1.01%	-	0.00%
E. V. M. W. D.	166	0.98%	164	1.64%
Target	144	0.85%	-	0.00%
Villa Siena Apartments	128	0.75%	126	1.26%
Lowe's	121	0.71%	-	0.00%
Home Depot	120	0.71%	-	0.00%
Golden State Concessions	120	0.71%	120	1.20%
Albertson's Inc.	102	0.60%	210	2.10%
Cardenas Market	88	0.52%	-	0.00%
Aerofoam Industries	68	0.40%	-	0.00%
Lake Chevrolet	67	0.39%	109	1.09%
Lake Elsinore Storm/Golden State Concession	63	0.37%	50	0.50%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Sources: City GIS Department
California Employment Development Department

CITY OF LAKE ELSINORE

FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	17	19	18	21	26	26	20	20	17	24
Community Services (includes Public works)	34	37	36	41	52	52	41	42	47	42
Community development	17	18	17	20	23	23	21	14	11	10
Total	<u>68</u>	<u>74</u>	<u>71</u>	<u>82</u>	<u>101</u>	<u>101</u>	<u>82</u>	<u>76</u>	<u>75</u>	<u>76</u>

Note: Police and Fire services are provided by the County of Riverside.

CITY OF LAKE ELSINORE

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year			
	2003	2004	2005	2006
Police:				
Lake related boating enforcement citations	1,091	800	703	808
Hazardous traffic violations	519	1,533	1,500	2,376
DUI arrests	n/a	n/a	n/a	n/a
Fire:				
Calls	n/a	3,120	3,391	3,610
Fire suppression equipment	n/a	3	3	3
Public works:				
Centerline miles of paved surface streets maintained	135	140	140	140
Centerline miles of dirt surface streets maintained	21	21	21	13
Weed abatement-lots cleaned	860	890	552	706
Community Development:				
Construction permits issued	1,838	2,361	3,516	4,260
Property value per permits (estimated in 000's)	\$ 159,346	\$ 153,186	\$ 242,988	\$ 462,204
New home building permits issued	550	766	1,317	1,355
Parks and recreation:				
Daily lake use passes sold	26,550	28,500	26,530	34,835

n/a=not available

Fiscal Year					
2007	2008	2009	2010	2011	2012
625	100	n/a	444	244	384
2,500	5,000	n/a	1,561	1,200	1,358
n/a	n/a	n/a	261	n/a	241
3,567	3,778	3,876	4,007	3,950	3,944
3	3	3	3	3	3
143	155	174	173	173	174
12	10	9	9	9	9
700	581	390	365	470	452
2,527	1,604	505	771	829	760
\$ 153,013	\$ 78,680	\$ 21,474	\$ 42,848	\$ 50,899	\$ 43,381
450	74	43	211	223	210
32,018	36,000	25,230	23,765	19,577	20,702

CITY OF LAKE ELSINORE
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	2	2	3	3	3	3	3	3	3	3
Public works:										
Street (miles)	153.3	153.3	153.3	156	157	157	157	157	157	157
Lakeshore (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Parks and recreation:										
Parks	12	12	12	12	15	15	15	16	16	16
Beaches and Recreation										
Facilities	8	8	8	8	8	8	8	10	10	10
Libraries	1	1	2	2	2	2	2	2	2	2
Stadium (Amphitheater										
seats)	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Lake (surface acres)	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300

n/a=not available