

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

YEAR ENDED JUNE 30, 2011



CITY OF LAKE ELSINORE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE YEAR ENDED JUNE 30, 2011

Prepared By: Department of Administrative Services

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CITY OF LAKE ELSINORE, CALIFORNIA

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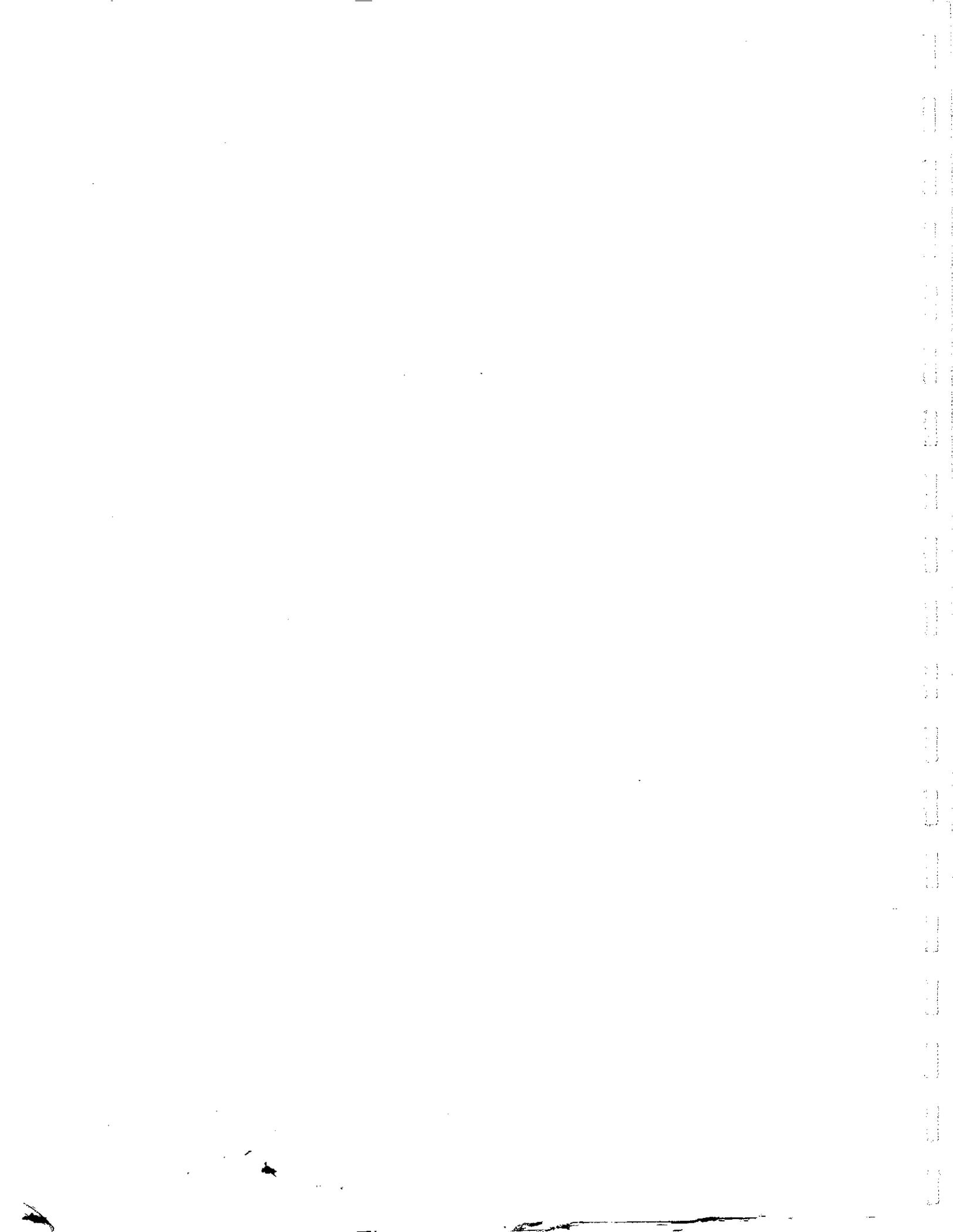
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INTRODUCTORY SECTION





March 12, 2012

Honorable Mayor and City Council
Lake Elsinore, California

Submitted for your information and consideration is the June 30, 2011 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, 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 12, 2012

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 12, 2012

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 Permanent Fund
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.

General Government Operations

Revenue for the governmental fund types totaled \$64,024,893 for fiscal year 2010-11. The amount of revenues from various sources is shown in the following tabulation and represents an overall increase of \$1,420,425 or 2.3% from the 2009-10 fiscal year.

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Prior Year</u>	<u>Percent Of Change</u>
Taxes	34,000,919	53.1%	53,749	0.2%
Licenses, permits and fees	3,291,938	5.1%	704,020	27.2%
Intergovernmental revenues	4,680,095	7.3%	(2,642,813)	(36.1%)
Charges for services	1,383,934	2.2%	(210,840)	(13.2%)
Fines and forfeitures	972,457	1.5%	238,665	32.5%
Investment income	7,147,497	11.2%	(781,114)	(9.9%)
Special assessments	1,586,602	2.5%	7,823	0.5%
Contribution from property owners	5,352,614	8.4%	5,352,614	-
Other	<u>5,608,837</u>	8.8%	<u>(1,301,679)</u>	<u>(18.8%)</u>
TOTAL	<u>\$64,024,893</u>		<u>\$1,420,425</u>	<u>2.3%</u>

Significant revenue increases in the Governmental Fund Types occurred in licenses, permits and fees, fines and forfeitures, and contribution from property owners. Contribution from property owners relates to bond proceeds received related infrastructure cost for the Summerly development project. Decreases which occurred in intergovernmental revenues are related to a decrease in funding for capital projects. Investment income is reduced due to the refunding of various tax allocation bonds and other revenue decrease due to the completion of capital projects.

Expenditures for governmental purposes totaled \$80,562,329 for fiscal year 2010-11. Levels of expenditures for major functions of the City are shown in the following tabulation:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Prior Year</u>	<u>Percent Of Change</u>
General government	8,904,165	11.1%	2,106,845	31.0%
Public safety	11,212,605	13.9%	190,074	1.7%
Community development	18,805,484	23.3%	15,755,983	516.7%
Public services	6,221,286	7.7%	(6,679,778)	(51.8%)
Community services	3,714,646	4.6%	401,564	12.1%
Pass-through payments	7,655,170	9.5%	(127,343)	(1.6%)
Set aside suspension	-	0.0%	(3,750,000)	(100.0%)
SERAF payments	1,436,411	1.8%	(5,540,442)	(79.4%)
Capital expenditures	2,931,038	3.6%	(1,463,805)	(33.3%)
Refunding bond payment	1,832,080	2.3%	(155,665)	(7.8%)
Bond issue costs	1,874,527	2.3%	289,562	18.3%
Debt service and costs	<u>15,974,917</u>	19.8%	<u>(381,573)</u>	<u>(2.3%)</u>
TOTAL	<u>\$80,562,329</u>		<u>\$645,422</u>	<u>0.8%</u>

Honorable Mayor and City Council
March 12, 2012

The net overall expenditure increase for the governmental fund types totaled \$645,422. Increases in general government (related to other capital project funds), and community development (related to \$11million in costs for the Pottery Court low-income housing project) are offset by decreases in public services related to projects, the one-time set aside suspension for the housing fund in fiscal year 2009-2010, reduced SERAF payment and one-time capital project expenditures.

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. The Authority utilizes a staff of risk managers to assist member agencies in all aspects of coverage and safety issues. Workers compensation coverage is still underwritten by the California State Compensation Corporation.

Debt Administration

The City of Lake Elsinore, not including the component units, has no outstanding bond debt as of June 30, 2011.

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-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.

Honorable Mayor and City Council
March 12, 2012

Public Safety

The City Council has made public safety its number one operating budget priority. The public safety budget increased \$190,074 amounting to 1.7% of the total net increase in the governmental expenditures.

Transportation

Improving circulation to keep pace with growth is a major City Council goal. The strategies used by the City Council include partnering with the Riverside County Transportation Commission and other entities, such as Caltrans, to prioritize transportation projects and funding and updating the City's General Plan, including the circulation element. The City's General Plan was completed and approved by City Council in December 2011.

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.

Honorable Mayor and City Council

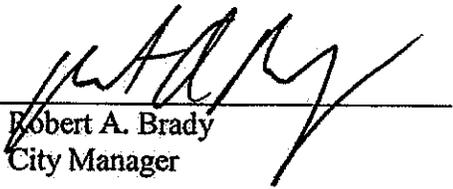
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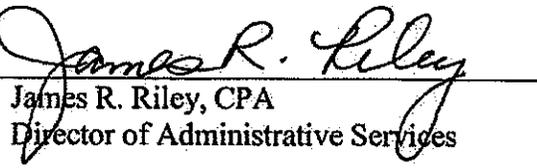
We wish to express appreciation to all Finance Division staff for their contribution to the department during this fiscal year. Their efforts are reflected in this report and in other documents resulting from the annual financial management process.

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


Robert A. Brady
City Manager

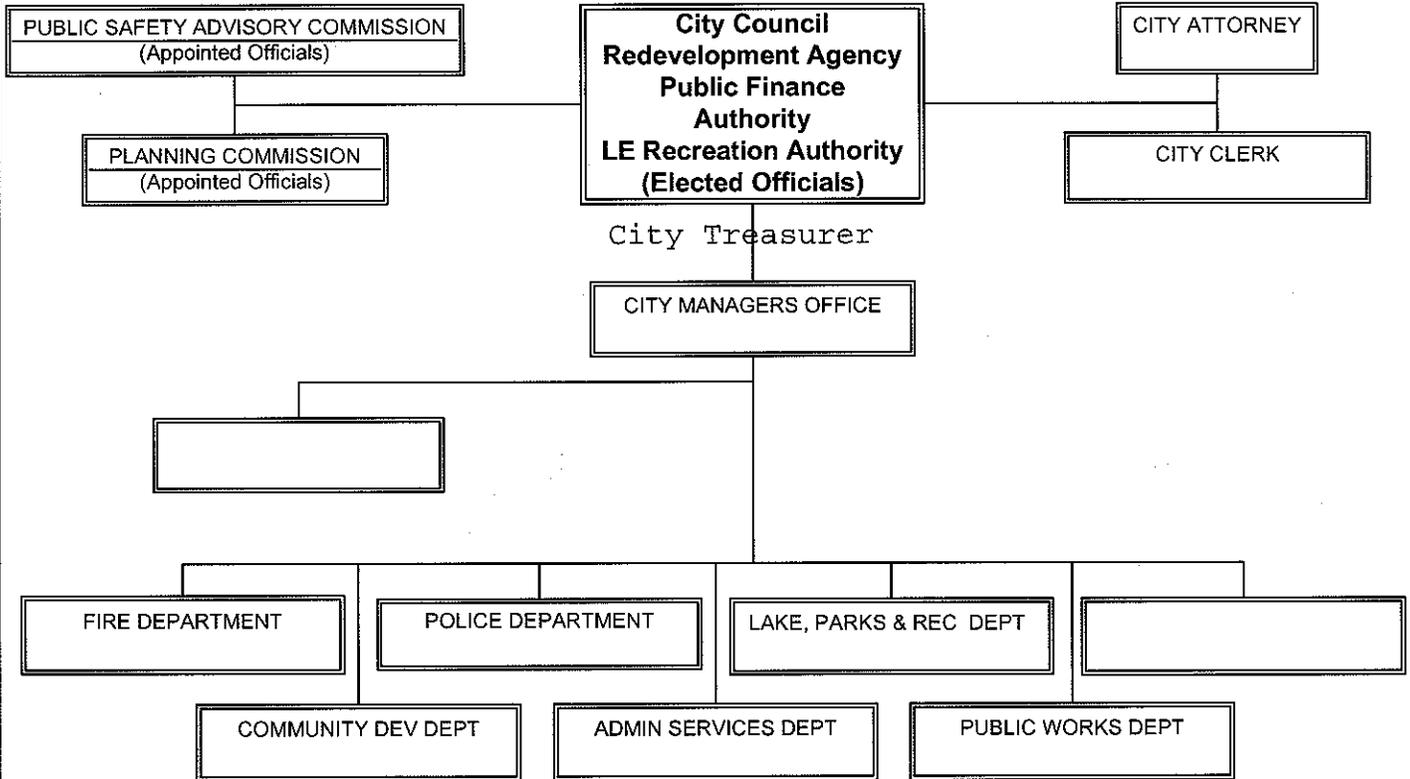

James R. Riley, CPA
Director of Administrative Services



City of Lake Elsinore

2010-2011 Organizational Chart

June 30, 2011



CITY OF LAKE ELSINORE
DIRECTORY OF OFFICIALS*
June 30, 2011

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

Robert A. Brady	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
Vacant	Director of Community Development

**At date of issuance*

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FINANCIAL SECTION



WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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, 2011, 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, 2011, 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.

The basic financial statements have been prepared assuming that the Lake Elsinore Redevelopment Agency (Agency), a blended component unit of the City, will continue as a going concern. The Agency's activities are accounted for in the Redevelopment Agency Special Revenue Fund and the Redevelopment Agency Debt Service Fund, which are all considered to be major funds of the City, and the Redevelopment Agency Cost Recovery System Special Revenue Fund and the Redevelopment Agency Capital Projects Fund which are reported in the aggregate fund information of the City. As explained further in Note 21, on December 29, 2011, the California Supreme Court upheld California Assembly Bill 1x 26 which provides for the dissolution of redevelopment agencies and invalidated Assembly Bill 1x 27 which allowed an alternative for redevelopment agencies to continue operations. The California Supreme Court's decisions raise substantial doubt about the ability of the Redevelopment Agency Special Revenue Fund and the Redevelopment Agency Debt Service Fund to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 14, the City has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, 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 schedules of funding progress and budgetary comparison schedules, 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 schedules 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 schedules 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 schedules 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 Dick Evans LLP

Irvine, California
March 12, 2012

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$165.6 million (*net assets*).
- The government's total net assets increased by \$5.5 million. The net increase is primarily attributable to increases in sales taxes and other taxes and fees.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.8 million or 46.5 percent of total General Fund expenditures. City Council has designated \$7.6 million of the \$10.8 million for future contingencies.
- The City of Lake Elsinore's total debt had a net increase of \$17.9 million during the current fiscal year. The net increase includes \$20.7 million of increases for local agency revenue bonds, subordinate tax allocation bonds, developer agreements, loans, deferred amounts, and insurance premium deposits payable. The decreases included \$2.8 million for decrease in tax allocation bonds due to refunding.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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 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.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

Governmental Funds (Continued)

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 and the Public Financing Authority Debt Service 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 page 25 of this report.

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 26 - 90 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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 91 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 97 - 149 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 \$165.6 million at the close of the most recent fiscal year.

Condensed Statements of Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Current and other assets	\$ 175,249,935	\$ 150,421,619
Capital assets	<u>154,792,875</u>	<u>156,708,348</u>
Total Assets	<u>330,042,810</u>	<u>307,129,967</u>
Liabilities:		
Long-term debt outstanding	145,591,908	127,709,799
Other liabilities	<u>18,819,221</u>	<u>19,326,031</u>
Total Liabilities	<u>164,411,129</u>	<u>147,035,830</u>
Net Assets:		
Invested in capital assets, net of related debt	141,427,875	142,968,348
Restricted	134,777,767	110,984,917
Unrestricted	<u>(110,573,961)</u>	<u>(93,859,128)</u>
Total Net Assets	<u>\$ 165,631,681</u>	<u>\$ 160,094,137</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For the City of Lake Elsinore, 85.4% 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, 81.4 %, represents resources that are subject to external restrictions on how they may be used. The deficit balance of approximately - \$110.6 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.

The government's total net assets increased by \$5.5 million. The net increase is primarily attributable to increases in sales taxes and other taxes and fees.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statements of Revenues,
Expenses and Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 6,262,474	\$ 5,684,978
Operating grants and contributions	3,292,972	4,561,669
Capital grants and contributions	6,573,426	-
General Revenues:		
Taxes:		
Property taxes	24,237,023	25,904,948
Sales taxes	7,190,695	6,236,748
Franchise taxes	1,913,807	1,792,699
Other taxes	483,556	519,001
Fines, forfeitures and penalties	972,457	733,792
Investment income	7,782,639	7,470,635
Miscellaneous	<u>5,705,412</u>	<u>6,661,239</u>
Total Revenues	<u>64,414,461</u>	<u>59,565,709</u>
Expenses:		
General government	11,079,707	9,326,224
Public safety	11,212,605	11,022,531
Community development	16,060,065	17,120,129
Public services	8,145,956	15,819,793
Community services	4,704,242	2,942,031
Interest on long-term debt	<u>7,674,342</u>	<u>10,509,806</u>
Total Expenses	<u>58,876,917</u>	<u>66,740,514</u>
Change in net assets	5,537,544	(7,174,805)
Net assets at beginning of year, as restated	<u>160,094,137</u>	<u>167,268,942</u>
Net assets at end of year	<u>\$ 165,631,681</u>	<u>\$ 160,094,137</u>

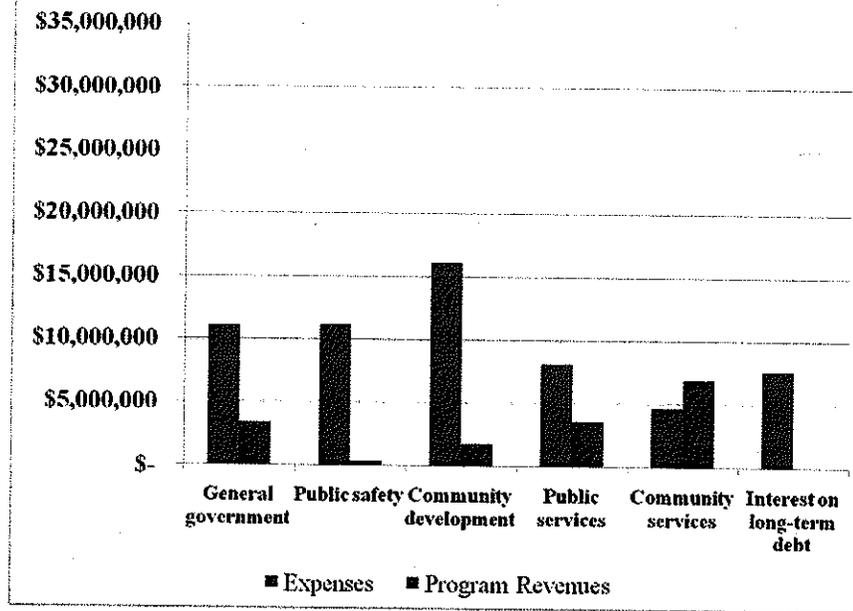
See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

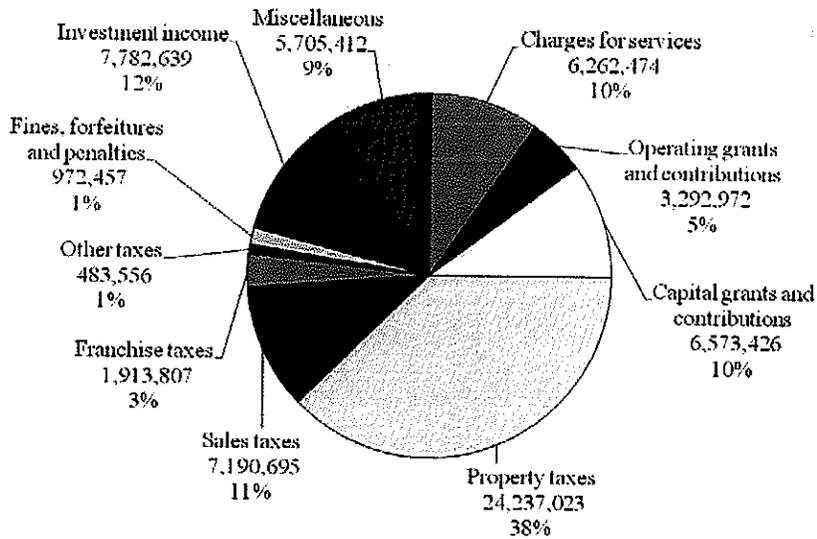
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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, 2011

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 \$177.6 million, an increase of \$17.1 million in comparison with the prior year. Of the \$177.6 million ending fund balance, a net -\$27.3 million, (-\$38.1 million for the Redevelopment Agency Debt Service Funds, special revenue funds, and capital project funds, offset by \$10.8 million related to the general fund), constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either *nonspendable*, \$88.4 million; *restricted*, \$105.2 million; or *assigned*, \$11.3 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 \$14.8 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 46.5% of total General Fund expenditures, while total fund balance represents 63.8% of that same amount.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The fund balance of the City of Lake Elsinore's General Fund decreased by \$0.1 million during the current fiscal year. Key factors in this decrease are as follows:

- \$0.2 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 \$51,752.
- Revenues were greater than expenditures of approximately \$77,710.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget reflects a \$0.5 million net increase in appropriations, including transfers out and can be briefly summarized as follows:

- \$624,822 increase in general government activities
- \$136,255 decrease for public safety
- \$321,484 decrease in community development
- \$250,609 increase in public services
- \$131,434 increase to community services
- \$185,000 increase in transfers out for one-time capital items.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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, 2011 amounts to \$154.8 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 1%.

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

- Completion of the Rosetta Fire Station & Park
- Completion of State Route 74/ Interstate 15 interim interchange improvements
- Other improvements and maintenance of City-owned streets

Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 5,352,814	\$ 5,352,814
Construction in progress	2,561,733	14,311,848
Buildings and structures	21,768,556	14,788,395
Improvements other than buildings	3,703,028	3,832,429
Machinery and equipment	710,419	737,189
Furniture and fixtures	115,583	88,450
Automotive equipment	425,789	572,474
Infrastructure	<u>120,154,953</u>	<u>117,024,749</u>
Totals	<u>\$ 154,792,875</u>	<u>\$ 156,708,348</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, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At year-end, the City has a number of debt issues outstanding. These issues include \$64.2 million of local agency revenue bonds, \$60.1 million of tax allocation bonds, \$4.6 million of subordinate tax allocation bonds, \$13.4 million of revenue refunding bonds, \$2.7 million of disposition and development agreements debt, \$0.4 million of owner participation agreement debt, \$0.2 million of loans payable, \$0.5 million in insurance premium deposit payable and \$2.9 in OPEB obligation.

Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Local agency revenue bonds	\$ 64,220,000	\$ 53,725,000
Tax allocation bonds	60,080,000	54,545,000
Subordinate tax allocation bonds	4,610,000	-
Deferred amounts	(3,444,372)	(1,063,668)
Revenue refunding bonds	13,365,000	13,740,000
Disposition and development agreements	2,656,593	2,739,986
Owner participation agreements	414,172	523,588
Loans payable	204,046	256,720
Insurance premium deposit payable	-	518,521
Other post-employment benefit obligation	2,877,575	2,086,786
Compensated absences	608,894	637,866
Totals	<u>\$ 145,591,908</u>	<u>\$ 127,709,799</u>

Additional information on the City of Lake Elsinore's long-term debt can be found in notes 6 through 8 and note 17 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes are estimated to still the same for the next fiscal year due primarily to property values remaining flat. Foreclosures have also keep property values flat.
- The retail sales trends increased each quarter in fiscal year 2011 and the projections are expecting this growth to continue during the next year.
- Investment earnings are estimated to remain low due to low interest rates.

These factors were considered in preparing the City of Lake Elsinore's budget for fiscal year 2011-12.

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.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
ASSETS:	
Cash and investments (Note 2)	\$ 65,639,588
Accounts receivable	443,335
Accrued interest receivable	1,233,794
Notes receivable (Note 3)	11,837,000
Interest receivable on notes (Note 3)	110,361
Due from other governments	6,347,018
Prepaid expense	499,904
Land held for resale (Note 5)	6,136,849
Deferred charges	6,096,691
Restricted assets (Note 2):	
Cash and investments with fiscal agents	76,905,395
Capital assets, not depreciated (Note 4)	7,914,547
Capital assets, depreciated, net (Note 4)	146,878,328
	<hr/>
TOTAL ASSETS	330,042,810
LIABILITIES:	
Accounts payable	8,279,631
Accrued liabilities	219,332
Other payroll liabilities	28,247
Deposits and other liabilities	2,486
Due to other governments	6,569,601
Interest payable	1,789,291
Unearned revenue	1,930,633
Noncurrent liabilities (Note 7):	
Due within one year	5,165,348
Due in more than one year	140,426,560
	<hr/>
TOTAL LIABILITIES	164,411,129
NET ASSETS:	
Invested in capital assets, net of related debt	141,427,875
Restricted for:	
Debt service	46,375,610
Specific programs	65,962,935
Specific capital projects	22,439,222
Unrestricted (deficit)	(110,573,961)
	<hr/>
TOTAL NET ASSETS	\$ 165,631,681

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

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF ACTIVITIES

June 30, 2011

Functions/programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:					Governmental Activities
General government	\$ 11,079,707	\$ 3,167,346	\$ 294,486	\$ -	\$ (7,617,875)
Public safety	11,212,605	-	343,225	-	(10,869,380)
Community development	16,060,065	1,508,526	285,243	-	(14,266,296)
Public services	8,145,956	-	2,370,018	1,220,812	(4,555,126)
Community services	4,704,242	1,586,602	-	5,352,614	2,234,974
Interest on long-term debt	7,674,342	-	-	-	(7,674,342)
Total governmental activities	\$ 58,876,917	\$ 6,262,474	\$ 3,292,972	\$ 6,573,426	(42,748,045)

General revenues:

Taxes:

Property taxes	24,237,023
Sales taxes	7,190,695
Franchise taxes	1,913,807
Other taxes	483,556
Fines, forfeitures and penalties	972,457
Investment income	7,782,639
Miscellaneous	5,705,412
Total general revenues	48,285,589
Change in net assets	5,537,544
NET ASSETS - BEGINNING OF YEAR	160,094,137
NET ASSETS - END OF YEAR	\$ 165,631,681

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

CITY OF LAKE ELSINORE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

ASSETS	General Fund	Redevelopment	Debt Service Funds	
		Agency Special Revenue Fund	Redevelopment Agency	Public Financing Authority
Cash and investments	\$ 12,013,573	\$ 7,345,685	\$ 18,870,504	\$ 399,336
Cash and investments with fiscal agents	-	1,452,640	3,819,389	68,192,520
Accounts receivable	441,896	-	1,439	-
Accrued interest receivable	4,198	1,605	3,789	386
Loans receivable (Note 6)	-	-	-	60,080,000
Notes receivable	-	11,837,000	-	-
Interest receivable on notes	-	110,361	-	-
Due from other funds (Note 13)	577,981	-	4,809,388	-
Due from other governments	1,249,927	6,256	-	3,111,521
Advances to other funds (Notes 9 and 13)	3,588,189	37,954,247	-	-
Prepaid items	438,990	-	60,914	-
Land held for resale	-	48,369	-	-
TOTAL ASSETS	\$ 18,314,754	\$ 58,756,163	\$ 27,565,423	\$ 131,783,763
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,118,177	\$ 452,945	\$ 4,141,586	\$ -
Accrued liabilities	198,287	-	-	-
Other payroll liabilities	28,247	-	-	-
Deposits and other liabilities	786	-	-	-
Due to other funds (Note 13)	-	-	83,246	14,440
Due to other governments	43,422	-	6,526,179	-
Advances from other funds (Notes 9 and 13)	-	-	41,542,436	-
Deferred revenue:				
Interest on advance to other funds	-	16,163,809	-	-
For property tax	-	3,750,000	-	-
For notes receivable	-	11,837,000	-	-
Interest on notes receivable	-	110,361	-	-
Revenue other	110,054	-	-	-
TOTAL LIABILITIES	3,498,973	32,314,115	52,293,447	14,440
FUND BALANCES (DEFICIT):				
Nonspendable:				
Advances to other funds	3,588,189	18,040,438	-	-
Prepaid items	438,990	-	60,914	-
Land held for resale	-	48,369	-	-
Loans receivable	-	-	-	60,080,000
Endowment principal	-	-	-	-
Restricted for:				
Debt service	-	1,452,640	8,145,581	71,689,323
Capital projects	-	-	-	-
Low and moderate income housing	-	6,900,601	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public services	-	-	-	-
Community services	-	-	-	-
Assigned to:				
Capital projects funds	-	-	-	-
Unassigned in:				
General fund	10,788,602	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	(32,934,519)	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	14,815,781	26,442,048	(24,728,024)	131,769,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,314,754	\$ 58,756,163	\$ 27,565,423	\$ 131,783,763

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

Other Governmental Funds	Total Governmental Funds
\$ 27,010,490	\$ 65,639,588
3,440,846	76,905,395
-	443,335
8,291	18,269
-	60,080,000
-	11,837,000
-	110,361
-	5,387,369
1,262,400	5,630,104
-	41,542,436
-	499,904
6,088,480	6,136,849
<u>\$ 37,810,507</u>	<u>\$ 274,230,610</u>

\$ 566,923	\$ 8,279,631
21,045	219,332
-	28,247
1,700	2,486
5,289,683	5,387,369
-	6,569,601
-	41,542,436
-	16,163,809
-	3,750,000
-	11,837,000
-	110,361
2,590,497	2,700,551
<u>8,469,848</u>	<u>96,590,823</u>

-	21,628,627
-	499,904
6,088,480	6,136,849
-	60,080,000
30,728	30,728
1,665	81,289,209
9,352,394	9,352,394
-	6,900,601
19,450	19,450
277,695	277,695
5,728,779	5,728,779
1,713,415	1,713,415
11,255,852	11,255,852
-	10,788,602
(214,942)	(214,942)
(13,588)	(32,948,107)
(4,899,269)	(4,899,269)
<u>29,340,659</u>	<u>177,639,787</u>
<u>\$ 37,810,507</u>	<u>\$ 274,230,610</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

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

June 30, 2011

Fund balances for governmental funds		\$ 177,639,787
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Interfund loans receivable not reported in the Statement of Net Assets.		(60,080,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		154,792,875
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	\$ 6,096,691	
Deferred amount on refunding	2,886,639	
Bond discount	755,032	
Bond premium	(197,299)	
Interest payable	(1,789,291)	
Long-term liabilities	<u>(149,036,280)</u>	(141,284,508)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements		
Interest receivable	\$ 1,215,525	
Due from other governments	<u>1,486,832</u>	2,702,357
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	\$ 11,837,000	
Other receivable	3,750,000	
Interest on notes receivable	110,361	
Interest on interfund loans	<u>16,163,809</u>	<u>31,861,170</u>
Net assets of governmental activities		<u>\$ 165,631,681</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, 2011

	General Fund	Redevelopment Agency Special Revenue Fund	Debt Service Funds	
			Redevelopment Agency	Public Financing Authority
REVENUES:				
Property taxes	\$ 5,438,551	\$ 3,821,776	\$ 15,182,719	\$ -
Other taxes	9,557,873	-	-	-
Licenses, permits and fees	1,783,412	-	-	-
Intergovernmental revenues	294,486	285,243	-	-
Charges for services	1,383,934	-	-	-
Fines, forfeitures and penalties	648,643	-	-	-
Investment income	245,583	106,865	165,109	6,282,983
Special assessments	-	-	-	-
Contribution from property owners	-	-	-	-
Miscellaneous	3,935,723	745,976	-	99,865
TOTAL REVENUES	23,288,205	4,959,860	15,347,828	6,382,848
EXPENDITURES:				
Current:				
General government	6,177,790	-	-	23,227
Public safety	10,659,634	-	-	-
Community development	1,337,689	11,560,419	5,907,376	-
Public services	1,716,863	-	-	-
Community services	3,318,519	-	-	-
Pass-through payments	-	-	7,655,170	-
SERAF payments	-	-	1,436,411	-
Capital outlay	-	-	-	-
Debt service:				
Payment to refunding bond escrow agent	-	-	1,832,080	-
Bond issuance costs	-	-	1,361,755	512,772
Principal retirement	-	725,800	1,573,022	4,255,000
Interest and fiscal charges	-	552,492	2,852,366	5,601,476
TOTAL EXPENDITURES	23,210,495	12,838,711	22,618,180	10,392,475
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,710	(7,878,851)	(7,270,352)	(4,009,627)
OTHER FINANCING SOURCES (USES):				
Discount on bonds	-	-	(621,302)	-
Refunding bonds issued	-	-	29,435,000	-
Tax allocation bonds issued	-	-	10,160,000	-
Payment to refunding bond escrow agent	-	-	(25,662,920)	-
Loans issued	-	-	-	47,780,000
Loan payments	-	-	-	(27,495,000)
Transfers in	51,752	-	-	-
Transfers out	(231,000)	-	(5,903,453)	-
TOTAL OTHER FINANCING SOURCES (USES)	(179,248)	-	7,407,325	20,285,000
NET CHANGE IN FUND BALANCES	(101,538)	(7,878,851)	136,973	16,275,373
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	14,917,319	34,320,899	(24,864,997)	115,493,950
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 14,815,781	\$ 26,442,048	\$ (24,728,024)	\$ 131,769,323

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 24,443,046
-	9,557,873
1,508,526	3,291,938
4,100,366	4,680,095
-	1,383,934
323,814	972,457
346,957	7,147,497
1,586,602	1,586,602
5,352,614	5,352,614
827,273	5,608,837
<u>14,046,152</u>	<u>64,024,893</u>
2,703,148	8,904,165
552,971	11,212,605
-	18,805,484
4,504,423	6,221,286
396,127	3,714,646
-	7,655,170
-	1,436,411
2,931,038	2,931,038
-	1,832,080
-	1,874,527
375,000	6,928,822
-39,761	9,046,095
<u>11,502,468</u>	<u>80,562,329</u>
<u>2,543,684</u>	<u>(16,537,436)</u>
-	(621,302)
-	29,435,000
-	10,160,000
-	(25,662,920)
-	47,780,000
-	(27,495,000)
6,134,453	6,186,205
(51,752)	(6,186,205)
<u>6,082,701</u>	<u>33,595,778</u>
8,626,385	17,058,342
<u>20,714,274</u>	<u>160,581,445</u>
<u>\$ 29,340,659</u>	<u>\$ 177,639,787</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, 2011

Net change in fund balances - total governmental funds \$ 17,058,342

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	\$ 3,415,708	
Depreciation expense	<u>(5,331,181)</u>	(1,915,473)

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	\$ 5,072,161	
Principal amount added on note payable	(98,339)	
Refunding bonds issued	(29,435,000)	
Tax allocation bonds issued	(10,160,000)	
Local agency revenue bonds issued	(12,795,000)	
Payment to refunding bond escrow agent	27,495,000	
Deferred amount on refunding	1,900,311	
Issuance costs	1,874,527	
Loans issued	(34,985,000)	
Loan payments	29,450,000	
Discount on bonds	<u>621,302</u>	(21,060,038)

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	\$ (301,313)	
Amortization bond premium	21,922	
Amortization of deferred amount on refunding	(132,441)	
Amortization of bond discount	(30,390)	
Interest and fiscal charges	(86,336)	
Insurance premium deposit payable	518,521	
Other post-employment benefit obligation	(790,789)	
Compensated absences	28,972	
Project costs	<u>11,837,000</u>	11,065,146

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	\$ 635,142	
Taxes and intergovernmental revenue	(342,149)	
Licenses, permits, fees and other revenue	<u>96,574</u>	389,567

Change in net assets of governmental activities \$ 5,537,544

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

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2011

ASSETS	
Cash and investments	\$ 3,972,038
Cash and investments with fiscal agents	40,021,632
Interest receivable	723
Due from other governments	<u>563,056</u>
TOTAL ASSETS	<u>\$ 44,557,449</u>
LIABILITIES	
Accounts payable	\$ 539,429
Deposits and other liabilities	2,261,720
Due to other governments	3,199,003
Due to bondholders	<u>38,557,297</u>
TOTAL LIABILITIES	<u>\$ 44,557,449</u>

See independent auditors' report and notes to basic financial statements

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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), 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 has a June 30, 2011 year end. The following is a brief review of each component unit included in the primary government's reporting entity.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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 is 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 two special revenue funds, a debt service fund, a capital projects fund and an agency fund.

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, 2011

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 includes financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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 proprietary fund and 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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied.

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.

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

June 30, 2011

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

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

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.

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.

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 Redevelopment Agency Special Revenue Fund is used 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 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 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, 2011

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

D. Fund Classifications (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 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 \$177,639,787 differs from "net assets" of governmental activities \$165,631,681 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 LERDA	<u>\$ (60,080,000)</u>
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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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>\$ 154,792,875</u>
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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	\$ 6,398,004
Amortization	<u>(301,313)</u>
Unamortized bond issuance costs	<u>\$ 6,096,691</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	\$ (1,789,291)
Long-term liabilities	(149,036,280)
Deferred amounts on refunding	2,886,639
Bond premium	(197,299)
Bond discount	<u>755,032</u>
Long-term debt transactions	<u>\$ (147,381,199)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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	\$ 1,215,525
Due from other governments	<u>1,486,832</u>
Long-term receivables	<u>\$ 2,702,357</u>

Notes Receivable, Other Receivables and Interest

Notes receivable, other receivables and 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.

Notes receivable	\$ 11,837,000
Other receivables	3,750,000
Interest on interfund loans	16,163,809
Interest on notes receivable	<u>110,361</u>
	<u>\$ 31,861,170</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, 2011

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 \$17,058,342 differs from the "change in net assets" for governmental activities \$5,537,544 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	\$ 3,415,708
Depreciation expense	<u>(5,331,181)</u>
	<u>\$ (1,915,473)</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	\$ 5,072,161
Principal amount added on note payable	(98,339)
Refunding bonds issued	(29,435,000)
Tax allocation bonds issued	(10,160,000)
Local agency revenue bonds issued	(12,795,000)
Payment to refunding bond escrow agent	27,495,000
Deferred amount on refunding	1,900,311
Issuance costs	1,874,527
Loans issued	(34,985,000)
Loan payments	29,450,000
Discount on bonds	<u>621,302</u>
Total long-term debt transactions	<u>\$ (21,060,038)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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>(301,313)</u>
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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>(30,390)</u>
	<u>\$ (8,468)</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>(86,336)</u>
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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>(132,441)</u>
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See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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.

Insurance premium deposit payable	\$ 518,521
Other post-employment benefit obligation	(790,789)
Compensated absences	28,972
Project costs	<u>11,837,000</u>
	<u>\$ 11,593,704</u>

Interest on Long-Term Receivables

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

Investment income	<u>\$ 662,853</u>
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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>\$ (27,711)</u>
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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>\$ (245,575)</u>
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See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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):

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial 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.

- G. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. Encumbrances outstanding at year end are reported as committed fund balances and do not constitute expenditures or liabilities because the commitments are reappropriated the following year.

- H. Investments:

Investments are reported at fair value, except for the investment contract and investments in local obligations, which are reported at cost, because the investments are not transferable and the fair values are not affected by changes in interest rates. Investment income includes interest earnings, changes in fair value, and any gains or losses related to the liquidation or sale of the investment.

- 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, 2011 was \$608,894.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

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 fund balance reserve account 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.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

L. Capital Assets (Continued):

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.

N. Fund Balance:

In the governmental fund financial statements, governmental fund types report nonspendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assigned fund balance represents tentative management plans that are subject to change.

O. 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.

See independent auditors' report.

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

June 30, 2011

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2011 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	\$ 65,639,588	\$ 3,972,038	\$ 69,611,626
Restricted assets:			
Cash and investments with fiscal agents	<u>76,905,395</u>	<u>40,021,632</u>	<u>116,927,027</u>
 Total Cash and Investments	 <u>\$ 142,544,983</u>	 <u>\$ 43,993,670</u>	 <u>\$ 186,538,653</u>

Cash and investments at June 30, 2011 consisted of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	7,595,159
Investments	<u>178,942,194</u>
 Total Cash and Investments	 <u>\$ 186,538,653</u>

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

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

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

<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	15%	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.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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	\$ 23,430,858	\$ -	\$ -	\$ -	\$ 23,430,858
Local Obligation Bonds	2,325,676	2,546,742	11,291,317	39,665,823	55,829,558
Corporate Notes	1,027,935	1,085,506	-	-	2,113,441
United States Government Sponsored					
Agency Securities	-	-	23,197,192	-	23,197,192
United States Treasury Notes	1,760,487	13,294,976	2,744,437	-	17,799,900
United States Treasury Securities					
State and Local Government Series	-	7,285	55,117	2,611,208	2,673,610
California Asset Management					
Program Pool (CAMP)	122,313	-	-	-	122,313
Mutual Funds	<u>53,775,322</u>	-	-	-	<u>53,775,322</u>
	<u>\$ 82,442,591</u>	<u>\$ 16,934,509</u>	<u>\$ 37,288,063</u>	<u>\$ 42,277,031</u>	<u>\$ 178,942,194</u>

Disclosures Relating to Credit Risk

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued)

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, 2011	Minimum Legal Rating	Minimum			Not Required to be Rated
			AAA	AA	Unrated	
Local Agency						
Investment Fund	\$ 23,430,858	N/A	\$ -	\$ -	\$ 23,430,858	\$ -
Local Obligation Bonds	55,829,558	N/A	-	-	55,829,558	-
Corporate Notes	2,113,441	AA	-	2,113,441	-	-
United States						
Government Sponsored						
Agency Securities	23,197,192	AAA	23,197,192	-	-	-
United States						
Treasury Notes	17,799,900	N/A	-	-	-	17,799,900
United States Treasury						
Securities State and Local Government Series	2,673,610	N/A	-	-	-	2,673,610
California Asset						
Management Program						
Pool (CAMP)	122,313	N/A	122,313	-	-	-
Mutual Funds	<u>53,775,322</u>	AAA	<u>53,775,322</u>	-	-	-
Total	<u>\$ 178,942,194</u>		<u>\$ 77,094,827</u>	<u>\$ 2,113,441</u>	<u>\$ 79,260,416</u>	<u>\$ 20,473,510</u>

N/A - Not Applicable

Subsequent to June 30, 2011, Standards and Poor's reduced the rating of the United States Government Sponsored Agency Securities from AAA to AA+.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

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	\$ 20,090,000
Community Facilities District 98-1 Bonds	Local Obligation Bond	17,535,000

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.

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, 2011, the City deposits (bank balances) were fully insured by the Federal Depository Insurance Corporation.

See independent auditors' report.

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

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by 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 which consists of \$23,197,192 of United States Government Sponsored Agency Securities, \$17,799,900 of United States Treasury Obligations and \$2,113,441 of medium-term corporate notes.

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.

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

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investment by Entity:

Cash and investments held by entity at June 30, 2011 are as follows:

	City of Lake Elsinore	Redevelopment Agency	Public Financing Authority	Recreation Authority	Total
Deposits at carrying amount (1)	\$ 2,226,606	\$ 645,488	\$ 4,723,065	\$ -	\$ 7,595,159
Petty cash and change drawer	1,300	-	-	-	1,300
Local Agency Investment Fund	12,098,782	11,007,271	324,805	-	23,430,858
Local Obligation Bonds	-	-	55,829,558	-	55,829,558
Corporate Notes	2,113,441	-	-	-	2,113,441
United States Government					
Sponsored Agency Securities	15,285,678	7,911,514	-	-	23,197,192
United States Treasury Notes	10,567,045	7,232,855	-	-	17,799,900
United States Treasury Securities					
State and Local Government Series	2,673,610	-	-	-	2,673,610
California Asset Management					
Program Pool (CAMP)	71,645	50,668	-	-	122,313
Mutual Funds	<u>35,365,538</u>	<u>10,693,692</u>	<u>7,714,427</u>	<u>1,665</u>	<u>53,775,322</u>
 Total Cash and Investments	 <u>\$ 80,403,645</u>	 <u>\$ 37,541,488</u>	 <u>\$ 68,591,855</u>	 <u>\$ 1,665</u>	 <u>\$186,538,653</u>

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

3. NOTES RECEIVABLE:

The City has a note receivable in the amount of \$9,737,000 from Pottery Court Housing Associates, L.P. dated March 10, 2011. The purpose of the loan is to assist 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, 2011 the release of construction has not been recorded. At June 30, 2011, the total outstanding balance of \$9,810,028 included interest of \$73,028.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

3. NOTES RECEIVABLE (CONTINUED):

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 purpose of the loan is to assist 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 deed of trust. As of June 30, 2011 the deed of trust has not been recorded. At June 30, 2011, the total outstanding balance of \$1,030,000 included accrued interest of \$30,000.

The City has a note receivable in the amount of \$1,100,000 from LMV II Affordable, LP dated October 12, 2010. The purpose of the loan is to assist with the rehabilitation of 64 units of affordable housing for families 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, 2011 the deed of trust has not been recorded. At June 30, 2011, the total outstanding balance of \$1,107,333 included accrued interest of \$7,333.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2011 is as follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, not depreciated:				
Land	\$ 5,352,814	\$ -	\$ -	\$ 5,352,814
Construction in progress	14,311,848	2,499,718	(14,249,833)	2,561,733
Total capital assets, not depreciated	<u>19,664,662</u>	<u>2,499,718</u>	<u>(14,249,833)</u>	<u>7,914,547</u>
Capital assets, depreciated:				
Building and structures	23,113,642	7,492,296	-	30,605,938
Improvements other than buildings	8,190,430	119,821	-	8,310,251
Machinery and equipment	3,341,502	99,566	(50,129)	3,390,939
Furniture and fixtures	619,814	55,818	(49,734)	625,898
Automotive equipment	2,002,003	7,462	-	2,009,465
Infrastructure	174,866,595	7,395,387	-	182,261,982
Total capital assets, depreciated	<u>212,133,986</u>	<u>15,170,350</u>	<u>(99,863)</u>	<u>227,204,473</u>
Less accumulated depreciation for:				
Building and structures	(8,325,247)	(512,135)	-	(8,837,382)
Improvements other than buildings	(4,358,001)	(249,222)	-	(4,607,223)
Machinery and equipment	(2,604,313)	(125,418)	49,211	(2,680,520)
Furniture and fixtures	(531,364)	(25,076)	46,125	(510,315)
Automotive equipment	(1,429,529)	(154,147)	-	(1,583,676)
Infrastructure	(57,841,846)	(4,265,183)	-	(62,107,029)
Total accumulated depreciation	<u>(75,090,300)</u>	<u>(5,331,181)</u>	<u>95,336</u>	<u>(80,326,145)</u>
Total capital assets, depreciated, net	<u>137,043,686</u>	<u>9,839,169</u>	<u>(4,527)</u>	<u>146,878,328</u>
Total Governmental Activities capital assets, net	<u>\$ 156,708,348</u>	<u>\$ 12,338,887</u>	<u>\$ (14,254,360)</u>	<u>\$ 154,792,875</u>

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

Governmental Activities:	
General government	\$ 2,416,915
Public services	1,924,670
Community services	989,596
Total depreciation expense	<u>\$ 5,331,181</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

5. LAND HELD FOR RESALE:

The Agency has acquired land as part of its primary purpose to develop unimproved properties. The land is being carried in the Redevelopment Agency Special Revenue Fund and Other Governmental Funds (the Redevelopment Agency Capital Projects Fund) at the lower of cost or estimated net realizable value. At June 30, 2011, the balance of land held for resale totaled \$6,136,849 with this amount offset by a nonspendable fund balance in the Governmental Fund Balance Sheet.

6. LOANS RECEIVABLE:

The Authority has entered into loan agreements with the 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.

The following table represents the balance of net proceeds loaned to the Agency at June 30, 2011:

<u>Tax Allocation Revenue Bonds</u>	<u>Loans Receivable Balance</u>
2010 Series A Issue	\$ 14,755,000
2010 Series B Issue	10,340,000
2010 Series C Issue	29,435,000
2011 Series A Issue	<u>5,550,000</u>
Total	<u>\$ 60,080,000</u>

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

6. LOANS RECEIVABLE (CONTINUED):

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 Assembly Bills 1x 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court rendered an opinion upholding Assembly Bill 1x 26 and invalidating Assembly Bill 1x 27. AB 1x 26 requires that the Agency continues to meet already incurred obligations. The Financing Authority expects repayment of the loans.

These loans are recorded as a receivable offset by a nonspendable fund balance in the Authority's Debt Service Fund on the Governmental Fund Balance Sheet.

Interfund balances must generally be eliminated in the government-wide statements. Thus this loan receivable does not appear on the Statement of Net Assets (see Note 1B).

The principal and interest are payable in installment payments payable not less than three business days prior to the due date on the bonds (see Note 7).

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
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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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	2011-2038	various	\$ 3,260,000
2011 Series Project Area III	4/11	2011-2038	various	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	1995-2014	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, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

	Outstanding June 30, 2010	Additions	Retirements	Outstanding June 30, 2011	Due Within One Year
Local Agency Revenue Bonds:					
1996 Series E	\$ 1,390,000	\$ -	\$ (45,000)	\$ 1,345,000	\$ 45,000
1999 Series G	1,680,000	-	(240,000)	1,440,000	255,000
2003 Series H	28,050,000	-	(760,000)	27,290,000	850,000
2008 Series A	19,340,000	-	(1,255,000)	18,085,000	1,340,000
2008 Series B	3,265,000	-	-	3,265,000	-
2010 Series A	-	7,430,000	-	7,430,000	-
2011 Series A	-	5,365,000	-	5,365,000	-
Tax Allocation Revenue Bonds:					
1999 Series A	28,255,000	-	(28,255,000)	-	-
2010 Series A	15,435,000	-	(680,000)	14,755,000	305,000
2010 Series B	10,855,000	-	(515,000)	10,340,000	545,000
2010 Series C	-	29,435,000	-	29,435,000	650,000
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	-
	108,270,000	52,390,000	(31,750,000)	128,910,000	3,990,000
Add (less) deferred amounts:					
Bond premium	219,221	-	(21,922)	197,299	-
On refunding	(1,118,769)	(1,900,311)	132,441	(2,886,639)	-
Discount on bonds	(164,120)	(621,302)	30,390	(755,032)	-
	107,206,332	49,868,387	(31,609,091)	125,465,628	3,990,000
Revenue Refunding Bonds:					
2000 Series A	13,740,000	-	(375,000)	13,365,000	390,000
Developer Agreements:					
Wal-Mart Stores, Inc.	445,094	-	(181,732)	263,362	181,732
Oak Grove Equities	2,294,892	98,339	-	2,393,231	-
Outlet Center	523,588	-	(109,416)	414,172	109,416
Loan Payable:					
EVMWD Amber Ridge	256,720	-	(52,674)	204,046	53,436
Insurance premium deposit payable					
	518,521	-	(518,521)	-	-
Other post-employment benefit obligation (Note 17)					
	2,086,786	1,170,664	(379,875)	2,877,575	379,875
Compensated absences	637,866	-	(28,972)	608,894	60,889
	<u>\$ 127,709,799</u>	<u>\$ 51,137,390</u>	<u>\$(33,255,281)</u>	<u>\$ 145,591,908</u>	<u>\$ 5,165,348</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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 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. At June 30, 2011, the Authority has a cash reserve balance for debt service of \$149,909, which is sufficient to cover the Bond Indenture Reserve Requirement of \$149,909.

Future debt requirements for the 1996 Series E Local Agency Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 45,000	\$ 99,075	\$ 144,075
2013	50,000	95,625	145,625
2014	55,000	91,688	146,688
2015	60,000	87,375	147,375
2016	60,000	82,875	142,875
2017 - 2021	385,000	335,813	720,813
2022 - 2026	555,000	160,313	715,313
2027	135,000	5,063	140,063
Totals	<u>\$ 1,345,000</u>	<u>\$ 957,827</u>	<u>\$ 2,302,827</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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, 2011, the Agency has a cash reserve balance for debt service of \$144,034, which is sufficient to cover the Bond Indenture Reserve Requirement of \$144,000.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 255,000	\$ 76,125	\$ 331,125
2013	275,000	60,755	335,755
2014	285,000	44,515	329,515
2015	305,000	27,405	332,405
2016	320,000	9,280	329,280
Totals	<u>\$ 1,440,000</u>	<u>\$ 218,080</u>	<u>\$ 1,658,080</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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, 2011, the Authority has a cash reserve balance for debt service of \$2,676,053, which is sufficient to cover the Bond Indenture Reserve Requirement of \$2,657,752.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 850,000	\$ 1,628,856	\$ 2,478,856
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 - 2021	7,250,000	5,849,919	13,099,919
2022 - 2026	3,640,000	4,155,469	7,795,469
2027 - 2031	6,010,000	2,654,250	8,664,250
2032 - 2034	5,105,000	506,654	5,611,654
Totals	<u>\$ 27,290,000</u>	<u>\$ 20,787,592</u>	<u>\$ 48,077,592</u>

See independent auditors' report.

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

June 30, 2011

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, 2011, the Authority has a cash reserve balance for debt service of \$1,115,006, which is sufficient to cover the Bond Indenture Reserve Requirement of \$904,250.

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

Year Ending June 30.	Principal	Interest	Total
2012	\$ 1,340,000	\$ 692,335	\$ 2,032,335
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 -2021	<u>10,465,000</u>	<u>1,119,425</u>	<u>11,584,425</u>
Totals	<u>\$ 18,085,000</u>	<u>\$ 4,029,638</u>	<u>\$ 22,114,638</u>

See independent auditors' report.

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

June 30, 2011

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, 2011, the Authority has a cash reserve balance for debt service of \$308,847, 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:

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 220,487	\$ 220,487
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 - 2021	210,000	1,065,896	1,275,896
2022 - 2026	430,000	966,625	1,396,625
2027 - 2031	740,000	765,531	1,505,531
2032 - 2036	1,030,000	463,375	1,493,375
2037 - 2039	805,000	85,421	890,421
Totals	<u>\$ 3,265,000</u>	<u>\$ 4,445,736</u>	<u>\$ 7,710,736</u>

See independent auditors' report.

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

June 30, 2011

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, 2011, the Authority has a cash reserve balance for debt service of \$743,265, 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
2012	\$ -	\$ 447,138	\$ 447,138
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 -2021	315,000	2,196,894	2,511,894
2022 - 2026	690,000	2,072,078	2,762,078
2027 - 2031	1,230,000	1,804,928	3,034,928
2032 - 2036	2,015,000	1,314,844	3,329,844
2037 - 2041	3,125,000	521,094	3,646,094
Totals	<u>\$ 7,430,000</u>	<u>\$ 10,143,196</u>	<u>\$ 17,573,196</u>

See independent auditors' report.

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

June 30, 2011

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, 2011, the Authority has a cash reserve balance for debt service of \$427,175, 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
2012	\$ -	\$ 192,767	\$ 192,767
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 -2021	830,000	1,273,606	2,103,606
2022 - 2026	1,045,000	1,033,856	2,078,856
2027 - 2031	1,385,000	681,806	2,066,806
2032 - 2036	1,230,000	236,244	1,466,244
2037 - 2039	310,000	29,400	339,400
Totals	<u>\$ 5,365,000</u>	<u>\$ 4,566,104</u>	<u>\$ 9,931,104</u>

See independent auditors' report.

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

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

B. Tax Allocation Revenue Bonds:

1999 Series A

In February 1999, \$33,450,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued in accordance with the indenture described above. The term bonds are due in annual installments of \$410,000 to \$2,175,000 from September 1, 2000 through September 1, 2030; interest at 5.00% to 5.50%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2015, at specified redemption prices. The 1999 Series A Tax Allocation Revenue Bonds were refunded by the 2010 Series C Tax Allocation Revenue Bonds in October 2010 and retired in December 2010.

2010 Series A

In February 2010, \$15,435,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued in accordance with the indenture described above. 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, 2011, the Agency has a cash reserve balance for debt service of \$1,472,778, which is sufficient to cover the Bond Indenture Reserve Requirement of \$1,471,914.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 305,000	\$ 686,781	\$ 991,781
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 - 2021	1,835,000	3,087,306	4,922,306
2022 - 2026	2,225,000	2,676,153	4,901,153
2027 - 2031	2,830,000	2,034,638	4,864,638
2032 - 2033	<u>6,280,000</u>	<u>431,024</u>	<u>6,711,024</u>
Totals	<u>\$ 14,755,000</u>	<u>\$ 11,575,902</u>	<u>\$ 26,330,902</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

B. 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 in accordance with the indenture described above. 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, 2011, the Agency has a cash reserve balance for debt service of \$939,806, 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
2012	\$ 545,000	\$ 384,900	\$ 929,900
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 - 2021	3,355,000	1,271,163	4,626,163
2022 - 2026	4,105,000	490,350	4,595,350
Totals	<u>\$ 10,340,000</u>	<u>\$ 3,526,588</u>	<u>\$ 13,866,588</u>

See independent auditors' report.

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

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

B. 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 in accordance with the indenture described above. 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, 2011, the Agency has a cash reserve balance for debt service of \$2,223,028, 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
2012	\$ 650,000	\$ 1,083,714	\$ 1,733,714
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 - 2021	6,565,000	4,438,653	11,003,653
2022 - 2026	7,825,000	3,104,009	10,929,009
2027 - 2031	9,685,000	1,189,834	10,874,834
Totals	<u>\$ 29,435,000</u>	<u>\$ 13,938,406</u>	<u>\$ 43,373,406</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

B. 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 in accordance with the indenture described above. 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, 2011, the Agency has a cash reserve balance for debt service of \$539,738, 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
2012	\$ -	\$ 323,422	\$ 323,422
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 - 2021	2,950,000	665,188	3,615,188
2022	700,000	21,000	721,000
Totals	<u>\$ 5,550,000</u>	<u>\$ 2,033,504</u>	<u>\$ 7,583,504</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

C. 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. As of June 30, 2011, the loan was not funded. 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
2012	\$ -	\$ 208,515	\$ 208,515
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 - 2021	485,000	1,029,748	1,514,748
2022 - 2026	685,000	821,029	1,506,029
2027 - 2031	990,000	504,518	1,494,518
2032 - 2034	795,000	94,286	889,286
Totals	<u>\$ 3,260,000</u>	<u>\$ 3,573,818</u>	<u>\$ 6,833,818</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

C. 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. As of June 30, 2011, the loan was not funded. 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
2012	\$ -	\$ 88,573	\$ 88,573
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 - 2021	135,000	460,075	595,075
2022 - 2026	180,000	403,928	583,928
2027 - 2031	265,000	319,684	584,684
2032 - 2036	380,000	198,075	578,075
2037 - 2039	310,000	37,200	347,200
Totals	<u>\$ 1,350,000</u>	<u>\$ 1,900,525</u>	<u>\$ 3,250,525</u>

See independent auditors' report.

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

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

D. 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
2012	\$ 390,000	\$ 9,355	\$ 399,355
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 - 2021	2,680,000	35,669	2,715,669
2022 - 2026	3,360,000	25,378	3,385,378
2027 - 2031	4,215,000	12,474	4,227,474
2032	960,000	672	960,672
Totals	<u>\$ 13,365,000</u>	<u>\$ 118,100</u>	<u>\$ 13,483,100</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, 2011 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, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

E. Developer Agreements:

The Agency has 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 has 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 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, 2011, the Agency owes \$263,362 to Wal-Mart Stores, Inc., which has been included in the long-term obligations.

Oak Grove Equities

On March 12, 1993, the Agency entered into an Owner Participation Agreement with Oak Grove Equities. The Agency has 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, 2011, the Agency owes \$2,393,231 to Oak Grove Equities which has been included in the long-term obligations. Any unpaid obligation on the 20th payment date, which is January 31, 2016, is to be forgiven and discharged.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

E. 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, 2011, the Agency owes \$414,172 which has been included in the long-term obligations.

F. 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 would reimburse the 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; interest from 2.70% to 6.00%.

Future debt requirements for the loans are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 53,436	\$ 7,304	\$ 60,740
2013	55,412	5,328	60,740
2014	57,474	3,266	60,740
2015	37,724	1,113	38,837
Totals	<u>\$ 204,046</u>	<u>\$ 17,011</u>	<u>\$ 221,057</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

G. 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.

H. 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:

Periodically the City of Lake Elsinore's Public Financing Authority (the Authority) issues Tax Allocation Revenue Bonds for financing projects of the Agency and to provide funds for the various debt obligations of the Agency. The Agency entered into loan agreements with the Authority which mirrored the bonds issued by the Authority. Concurrent with the execution and delivery of the loan agreements, the Authority issued the aggregate principal amount of the Tax Allocation Revenue Bonds to the Agency. The loans were made as an advance for the principal amount which was made from the proceeds of the bonds on the closing date of the bond. The principal and interest are payable in installment payments not less than three business days prior to the due date on the bonds.

At June 30, 2011, loan agreements between the Agency and Authority totaled \$60,080,000 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. Since these loans are interfund activities, they are excluded from the long-term liabilities schedule in Note 7 and on the Statement of Net Assets.

Note 21 has additional information on recent changes affecting California Redevelopment Agencies.

1999 Series A

In February 1999, \$33,450,000 principal amount of Tax Allocation Revenue Bonds, Series A, was issued by the Authority. Concurrent with this issue, the principal amount was loaned to the Agency. The proceeds of the loan were used to advance refund \$34,825,000 of outstanding 1992 Tax Allocation Revenue Bonds and to provide funds for the acquisition and construction of certain public improvements within the Rancho Laguna Redevelopment Project Areas I and II. The loan is payable in annual principal installments varying from \$410,000 to \$2,175,000 through 2030 and bear interest rates varying from 5.00% to 5.50%. The Bonds were refunded by the 2010 Series C Tax Allocation Bonds in October 2010.

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

June 30, 2011

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. Concurrent with this issue, 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, 2011 is \$15,435,000. At June 30, 2011, the Agency has a cash reserve balance for debt service of \$1,472,778 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. Concurrent with this issue, 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 flows 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 loan is payable 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 loan balance at June 30, 2011 is \$10,855,000. At June 30, 2011, the Agency has a cash reserve balance for debt service of \$939,806 which is sufficient to cover the Bond Indenture Reserve Requirement.

2010 Series C

In October 2010, \$29,435,000 principal amount of Tax Allocation Revenue Bonds, Series C, was issued by the Authority. Concurrent with this issue, the principal amount was loaned to the Agency through the release of the net proceeds of the financing. The net 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 has 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 \$605,000 to \$2,115,000 from September 1, 2011 through September 1, 2030; interest at 2.00% to 5.00%. The loan balance at June 30, 2011 is \$29,435,000. At June 30, 2011, the Agency has a cash reserve balance for debt service of \$2,223,028 which is sufficient to cover the Bond Indenture Reserve Requirement.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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 flows 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. Concurrent with this issue, the principal amount was loaned to the Agency through the release of the net proceeds of the financing. The net 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 has 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; interest at 4.00% to 6.00%. The loan balance at June 30, 2011 is \$5,550,000. At June 30, 2011, the Agency has a cash reserve balance for debt service of \$539,738 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
2012	\$ 1,500,000	\$ 2,478,817	\$ 3,978,817
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 - 2021	14,705,000	9,462,309	24,167,309
2022 - 2026	14,855,000	6,291,513	21,146,513
2027 - 2031	12,515,000	3,224,471	15,739,471
2032 - 2036	6,280,000	431,025	6,711,025
Totals	<u>\$ 60,080,000</u>	<u>\$ 31,074,400</u>	<u>\$ 91,154,400</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

9. ADVANCES PAYABLE:

The General Fund advanced the Agency \$8,158,238 from 1997 through 2002 and \$903,250 for the fiscal year ended June 30, 2003. The advances are to cover certain administrative costs and a legal settlement related to the Agency. Payments of \$214,968 are to be made on an annual basis through fiscal year 2032. Interest is accrued cumulatively on the advances at a rate of 2%.

Future debt requirements for the advances to the Agency are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 143,205	\$ 71,764	\$ 214,969
2013	146,069	68,900	214,969
2014	148,991	65,978	214,969
2015	151,970	62,998	214,968
2016	155,010	59,959	214,969
2017 - 2021	822,810	252,032	1,074,842
2022 - 2026	908,449	166,395	1,074,844
2027 - 2031	1,003,002	71,843	1,074,845
2032	108,683	2,175	110,858
Totals	<u>\$ 3,588,189</u>	<u>\$ 822,044</u>	<u>\$ 4,410,233</u>

Note 21 has additional information on the impact of recent changes in litigation affecting California Redevelopment Agencies on the amounts due from the Agency.

10. 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.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

10. SPECIAL ASSESSMENT DISTRICT BONDS (CONTINUED):

A summary of Special Assessment Bonds outstanding at June 30, 2011, for which the City has no liability or commitment, follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2011
Assessment District No. 86-1 Improvement Bonds	\$ 4,712,332	\$ 1,543,734
Assessment District No. 90-1 A Improvement Bonds	1,780,000	945,000
Assessment District No. 93-1 Refunding Improvement Bonds, Series 2000	19,875,000	16,975,000
Total Assessment District Bonds		<u>\$ 19,463,734</u>

11. 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. A summary of Mello-Roos Bonds outstanding at June 30, 2011 follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2011
Community Facilities District 90-2 Tuscany Hills Public Improvements 2002 Series	\$ 14,470,000	\$ 7,545,000
Community Facilities District 95-1 Lake Elsinore City Center Public Improvements	1,600,000	1,205,000
Community Facilities District 98-1 Summerhill Public Improvements	17,660,000	17,535,000
Community Facilities District 2003-2 Canyon Hills 2004 Series A	12,235,000	11,865,000
Community Facilities District 2004-3 Roseta Canyon 2005 Series A	22,635,000	22,230,000
Community Facilities District 2005-1 Serenity 2006 Series A	9,180,000	8,880,000
Community Facilities District 2005-2 Alberhill Ranch 2005 Series A	24,680,000	24,480,000

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

11. COMMUNITY FACILITIES DISTRICT BONDS (CONTINUED):

Summary of Mello-Roos Bonds outstanding at June 30, 2011 (Continued):

	Original Issue Amount	Bonds Outstanding at June 30, 2011
Community Facilities District 2005-6 City Center Townhomes 2006 Series A	\$ 3,525,000	\$ 3,495,000
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	20,315,000
Community Facilities District 2004-3 Roseta Canyon 2006 Series A	23,460,000	23,295,000
Community Facilities District 2006-2 Viscaya 2006 Series A	7,290,000	7,225,000
Community Facilities District 88-3 2008 Series A	24,670,000	20,090,000
Community Facilities District 88-3 2008 Series A	7,175,000	6,610,000
Community Facilities District 88-3 ^{C.D. 2005-2008 B W.W. HAN} 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>\$ 192,805,000</u>

12. 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, 2011
Lakeside Village Project - Due January 1, 2031	\$ 5,000,000	<u>\$ 4,146,704</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

13. 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, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 83,246
	Public Financing Authority Debt Service Fund	14,440
	Other Governmental Funds	480,295
Redevelopment Agency Debt Service Fund	Other Governmental Funds	<u>4,809,388</u>
		<u>\$ 5,387,369</u>

The General Fund loaned the Redevelopment Agency Debt Service Fund, the Public Financing Authority Debt Service Fund and Other Governmental Funds \$83,246, \$14,440 and \$480,295, respectively and the loans were used to provide cash flows for expenditures.

The Redevelopment Agency Debt Service Fund loaned Other Governmental Funds \$4,809,388 and the loan was used to provide cash flows for expenditures.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Advances To/From

Advances to and from other funds at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 3,588,189
Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	37,954,247
		<u>\$ 41,542,436</u>

The General Fund advanced \$3,588,189 to the Redevelopment Agency Debt Service Fund to provide funds to fund Agency projects. (See Note 9).

The advances from the Redevelopment Agency Special Revenue Fund to the Redevelopment Agency Debt Service Fund were made from: (a) the 1995 Series A and 1999 Series C bond proceeds deposited in the Rancho Laguna Special Revenue Fund. 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 advances payable include an original loan amount of \$18,040,438 and accrued interest of \$16,163,809, and (b) advances in the amount of \$3,750,000 was a result of suspending 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 by fiscal year 2014-2015.

Transfers In/Out

The compositions of the City's interfund transfer balances as of June 30, 2011 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 51,752
Other Governmental Funds	General Fund Redevelopment Agency Debt Service Fund	231,000
		5,903,453
		<u>\$ 6,186,205</u>

The transfers between the General Fund and the Other Governmental Funds were made to provide cash flows for expenditures. The transfer of \$5,903,453 between Other Governmental Funds and the Redevelopment Agency Debt Service Fund was made to fund operational and capital projects costs.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

14. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now 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.

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.

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.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

15. 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:		
Redevelopment Agency Special Revenue Fund	\$ 12,838,711	\$ 2,612,234
Other Governmental Funds:		
L.L.E.B.G. Program Special Revenue Fund	58,946	17,000
Office of Traffic and Safety Special Revenue Fund	107,982	50,000
Traffic Offender Special Revenue Fund	34,087	25,000
Lighting and Landscaping Special Revenue Fund	1,345,268	1,275,000
Endowment Trust Special Revenue Fund	5,050	2,100
Community Center Special Revenue Fund	7,493	-
Traffic Improvements Capital Projects Fund	778	-

The following funds had a deficit fund balance at June 30, 2011. These deficits are expected to be eliminated through future revenues and transfers except for the Redevelopment Agency Debt Service Fund. Due to the dissolution of the Redevelopment Agency effective February 1, 2011, it is not known how the Successor Agency will eliminate the deficit.

	<u>Amount</u>
Major Fund:	
Redevelopment Agency Debt Service Fund	\$ 24,728,024
Other Governmental Funds:	
Office of Traffic and Safety Special Revenue Fund	21,381
C.D.B.G. Special Revenue Fund	109,869
Miscellaneous Grants Special Revenue Fund	72,724
N.P.D.E.S. Special Revenue Fund	10,968
Recreation Authority Debt Service Fund	11,923
TUMF Capital Projects Fund	103,620

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

16. 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.

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

June 30, 2011

16. 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, 2011, 2010 and 2009 were 16.465%, 16.485% and 17.50%, respectively. The City's contributions to CalPERS for the years ended June 30, 2011, 2010 and 2009 were \$922,645, \$1,022,973 and \$1,240,414, respectively, and were equal to required contributions for each year.

17. 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, 2011, the City elected to fund \$379,875 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 2010-11 was \$1,356,199.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

17. 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)	\$ 1,356,199
Interest on net OPEB obligation	125,519
Adjustment to ARC	<u>(311,054)</u>
Annual OPEB cost	1,170,664
Actual contributions made	<u>(379,875)</u>
Increase in net OPEB obligation	790,789
Net OPEB Obligation - beginning of year	<u>2,086,786</u>
Net OPEB Obligation - end of year	<u>\$ 2,877,575</u>

Three-Year Trend Information

For fiscal year 2011, the City's annual OPEB cost (expense) of \$1,356,199 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
6/30/09	\$ 1,356,199	\$ 307,802	22.70 %	\$ 1,048,397
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

Funded Status and Funding Progress

As of July 1, 2008, the first actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$8,791,806 and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$8,791,806. The covered payroll (annual payroll of active employees covered by the plan) was \$5,280,551 and the ratio of the UAL to the covered payroll was 166.49%.

See independent auditors' report.

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

June 30, 2011

17. 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, 2008 actuarial valuation, the frozen entry age method was used. The actuarial assumptions included a rate of return on assets of 7.75% per annum and a medical cost trend rates ranging from 5.5% to 9% 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.

18. 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, 2011

18. 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.

19. 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 121 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 coverages. 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

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. 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.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

19. 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 2010-11 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.

Purchased Insurance

All Risk 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 \$35,808,267. 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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

19. LIABILITY, PROPERTY AND PROTECTION (CONTINUED):

Purchased Insurance (Continued)

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 (claims) years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2010-2011.

The aforementioned information is not included in the accompanying financial statements. Complete financial statements for the California Joint Powers Insurance Authority may be obtained from their administrative office located at 8081 Moody Street, La Palma, California 90623.

20. 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.

21. COMMITMENTS AND CONTINGENCIES:

The Agency has entered into several developer agreements to attract new business to the City. The following represents the Agency's significant commitments with certain developers:

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 low and moderate income housing fund and funds payable under existing pass-through agreements.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

21. COMMITMENTS AND CONTINGENCIES (CONTINUED):

McMillin Summerly LLC (Continued)

As of June 30, 2011, the Agency has accrued \$3,177,229 of tax increment due to the developer and master developer for payment when due pursuant to the terms of the DDA. These liabilities are presented as part of accounts payable in the Redevelopment Agency Special Revenue Fund and Redevelopment Agency Debt Service 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 will be 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.

Supplemental Education Revenue Augmentation Fund (SERAF)

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make Supplemental Education Revenue Augmentation Fund (SERAF) contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the California Redevelopment Association filed a class action lawsuit on behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional. The court ruled that the SERAF obligations were not unconstitutional.

The Agency's SERAF contributions are \$6,976,853 for the fiscal year 2009-2010 and \$1,436,411 for 2010-2011. For fiscal year 2009-2010, the Agency paid \$3,226,853 from non-housing funds and the balance of \$3,750,000 was from suspending a portion of the 20% set aside amount for fiscal year 2010 as allowed by the legislation. For fiscal year 2010-2011, the SERAF payment was made by the Agency's Debt Service Funds.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

21. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program each City would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1x 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Lake Elsinore intends to use available monies of its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill 1x 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If 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 by Assembly Bill 1x 26.

In the event that Assembly Bill 1x 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are eliminated.

At June 30, 2011, the General Fund of the City had advanced \$3,588,189 to the Redevelopment Agency reported as Due from other funds and Advances to other funds which may not be collectible. Additionally from the period June 1, 2011 to June 30, 2011, \$4,235,000 in principal and interest and \$2,308,005 in staff support, debt service payment, fiscal charges and other costs were repaid by the Redevelopment Agency to the City. The Agency also transferred \$4,978,453 to the City for capital project costs. These transactions are subject to review by the State Controller's Office.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

21. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)

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 Assembly Bills 1x 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1x 27 and most of Assembly Bill 1x 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012". A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1x 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) by September 30, 2011.

Because the stay provide by Assembly Bill 1x 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlement; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill 1x 26.

On August 23, 2011, City Ordinance No. 2011-1293 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills 1x 26 and/or 27 are upheld as constitutional.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 which dissolves the Lake Elsinore Redevelopment Agency on February 1, 2012, and struck down Assembly Bill 1x 27, which would have allowed the formation of new redevelopment agencies. By operation of Assembly Bill 1x 26, the City of Lake Elsinore becomes the Successor Agency, with the responsibility to dissolve the Agency's operations.

Pursuant to the provisions of Assembly Bill 1x 26, the City staff is in the process of preparing an Enforceable Obligation Payment Schedule (EOPS) and a Preliminary Draft Recognized Obligation Payment Schedule (PDROPS) and establish an Oversight Board Committee to direct the Successor Agency in winding down redevelopment activities pursuant to Health and Safety Code Section 34181.

See independent auditors' report.

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

June 30, 2011

21. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)

The EOPS and PDROPS are similar payment schedules (with the PDROPS identifying sources of payment for obligations) that outline the fiscal obligations of the City in its capacity as Successor Agency from January 1, 2012 through July 1, 2012. These schedules are necessary so that the Successor Agency will be able to receive funding from the County of Riverside to pay its enforceable obligations. There are certain advances made from the City to the Agency in the amount of \$3,588,189 (see Note 13) which ultimate payment is not currently known.

In light of the recent State Supreme Court decision, California Redevelopment Association and League of California Cities representatives have vowed to work with State Legislators immediately to develop special legislation to revive redevelopment in order to protect local communities, job creation and to assist in the economic recovery. Two bills have already been introduced. Senate Bill 659 was introduced on January 5, 2012 to move the dissolution dates to April 15th. Pro Tem Steinberg introduced Assembly Bill 654 on January 10th to allow the transfer of all property and cash assets to a city's housing authority. Both bills were not taken up by the state legislature and the dissolution date remains February 1, 2012.

On January 10, 2012, the City also elected to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the redevelopment law.

The impacts of Assembly Bill 1x 26 are difficult to determine, since there are many uncertainties. The uncertainties include whether the Legislature will adopt clean-up legislation and redevelopment reform legislation. The uncertainties also include existing and future litigation. There are also uncertainties created by the Successor Agency and Oversight Committee process, as well as the involvement of the County Auditor-Controller and the State Department of Finance. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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, 2011, the Authority had minimal activity and according to the criteria in Note 1A, the 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, 2011

22. JOINT POWERS AGREEMENTS (CONTINUED):

- 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.

23. SUBSEQUENT EVENTS:

Issuance of Local Agency Revenue Bonds 2011 Series B

In November 2011, Lake Elsinore Public Financing Authority issued Local Agency Revenue Bonds 2011 Series B in the aggregate principal amount of \$1,405,000. The proceeds were used to refund the 1996 Series E bonds and acquire local obligation bonds.

24. RESTATEMENT OF FUND BALANCES - GOVERNMENTAL FUND FINANCIAL STATEMENTS:

In the Other Governmental Funds, the fund balance of the Permanent Fund Endowment Trust was increased by \$35,463 to account for a reclassification from the Special Revenue Funds.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE ELSINORE

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2011

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%

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 5,344,000	\$ 5,544,000	\$ 5,438,551	\$ (105,449)
Other taxes	8,836,000	9,286,000	9,557,873	271,873
Licenses, permits and fees	1,336,700	1,571,870	1,783,412	211,542
Intergovernmental revenues	262,100	255,402	294,486	39,084
Charges for services	1,449,765	1,404,640	1,383,934	(20,706)
Fines, forfeitures and penalties	404,000	396,000	648,643	252,643
Investment income	315,450	240,450	245,583	5,133
Miscellaneous	2,972,800	3,483,498	3,935,723	452,225
TOTAL REVENUES	20,920,815	22,181,860	23,288,205	1,106,345
EXPENDITURES:				
Current:				
General government	5,375,710	6,000,532	6,177,790	(177,258)
Public safety	11,553,255	11,417,000	10,659,634	757,366
Community development	1,705,137	1,383,653	1,337,689	45,964
Public services	1,390,670	1,641,279	1,716,863	(75,584)
Community services	3,462,046	3,593,480	3,318,519	274,961
TOTAL EXPENDITURES	23,486,818	24,035,944	23,210,495	825,449
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,566,003)	(1,854,084)	77,710	1,931,794
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	51,752	1,752
Transfers out	-	(185,000)	(231,000)	(46,000)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	(135,000)	(179,248)	(44,248)
NET CHANGE IN FUND BALANCE	(2,516,003)	(1,989,084)	(101,538)	1,887,546
FUND BALANCE - BEGINNING OF YEAR	14,917,319	14,917,319	14,917,319	-
FUND BALANCE - END OF YEAR	\$ 12,401,316	\$ 12,928,235	\$ 14,815,781	\$ 1,887,546

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

CITY OF LAKE ELSINORE, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,892,800	\$ 3,892,800	\$ 3,821,776	\$ (71,024)
Intergovernmental revenues	-	-	285,243	285,243
Investment income	300,000	300,000	106,865	(193,135)
Miscellaneous income	540,000	540,000	745,976	205,976
TOTAL REVENUES	<u>4,732,800</u>	<u>4,732,800</u>	<u>4,959,860</u>	<u>227,060</u>
EXPENDITURES:				
Current:				
Community development	1,315,450	1,315,450	11,560,419	(10,244,969)
Debt services:				
Principal retirement	515,000	515,000	725,800	210,800
Interest and fiscal charges	781,784	781,784	552,492	(229,292)
TOTAL EXPENDITURES	<u>2,612,234</u>	<u>2,612,234</u>	<u>12,838,711</u>	<u>(10,226,477)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,120,566	2,120,566	(7,878,851)	(9,999,417)
FUND BALANCE - BEGINNING OF YEAR	<u>34,320,899</u>	<u>34,320,899</u>	<u>34,320,899</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,441,465</u>	<u>\$ 36,441,465</u>	<u>\$ 26,442,048</u>	<u>\$ (9,999,417)</u>

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

CITY OF LAKE ELSINORE, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

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.

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SUPPLEMENTARY INFORMATION

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CITY OF LAKE ELSINORE, CALIFORNIA

OTHER GOVERNMENTAL FUNDS

June 30, 2011

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, 2011

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Permanent Fund Endowment Trust	Total Other Governmental Funds
ASSETS					
Cash and investments	\$ 9,741,913	\$ -	\$ 17,237,854	\$ 30,723	\$ 27,010,490
Cash and investments with fiscal agents	-	1,665	3,439,181	-	3,440,846
Accrued interest receivable	3,052	-	5,234	5	8,291
Due from other governments	448,371	-	814,029	-	1,262,400
Land held for resale	-	-	6,088,480	-	6,088,480
TOTAL ASSETS	\$10,193,336	\$ 1,665	\$ 27,584,778	\$ 30,728	\$ 37,810,507
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 484,466	\$ -	\$ 82,457	\$ -	\$ 566,923
Accrued liabilities	21,045	-	-	-	21,045
Deposits and other liabilities	1,700	-	-	-	1,700
Due to other funds	205,156	13,588	5,070,939	-	5,289,683
Deferred revenue	1,956,572	-	633,925	-	2,590,497
TOTAL LIABILITIES	2,668,939	13,588	5,787,321	-	8,469,848
FUND BALANCES (DEFICIT):					
Nonspendable:					
Land held for resale	-	-	6,088,480	-	6,088,480
Endowment principal	-	-	-	30,728	30,728
Restricted for:					
Debt service	-	1,665	-	-	1,665
General government	19,450	-	-	-	19,450
Public safety	277,695	-	-	-	277,695
Public services	5,728,779	-	-	-	5,728,779
Community services	1,713,415	-	-	-	1,713,415
Capital projects	-	-	9,352,394	-	9,352,394
Assigned to:					
Capital projects	-	-	11,255,852	-	11,255,852
Unassigned	(214,942)	(13,588)	(4,899,269)	-	(5,127,799)
TOTAL FUND BALANCES (DEFICIT)	7,524,397	(11,923)	21,797,457	30,728	29,340,659
TOTAL LIABILITIES AND FUND BALANCES	\$10,193,336	\$ 1,665	\$ 27,584,778	\$ 30,728	\$ 37,810,507

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, 2011

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Permanent Fund Endowment Trust	Total Other Governmental Funds
REVENUES:					
Licenses, permits and fees	\$ 751,254	\$ -	\$ 757,272	\$ -	\$ 1,508,526
Intergovernmental revenues	3,734,253	-	366,113	-	4,100,366
Fines, forfeitures and penalties	323,814	-	-	-	323,814
Investment income	133,935	-	212,707	315	346,957
Special assessments	1,586,602	-	-	-	1,586,602
Contribution from property owners	-	-	5,352,614	-	5,352,614
Miscellaneous	95,664	408,657	322,952	-	827,273
TOTAL REVENUES	6,625,522	408,657	7,011,658	315	14,046,152
EXPENDITURES:					
Current:					
General government	36,708	-	2,666,440	-	2,703,148
Public safety	552,971	-	-	-	552,971
Public services	3,270,543	-	1,228,830	5,050	4,504,423
Community services	396,127	-	-	-	396,127
Capital outlay	2,044,988	-	886,050	-	2,931,038
Debt service:					
Principal retirement	-	375,000	-	-	375,000
Interest and fiscal charges	-	39,761	-	-	39,761
TOTAL EXPENDITURES	6,301,337	414,761	4,781,320	5,050	11,502,468
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	324,185	(6,104)	2,230,338	(4,735)	2,543,684
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	6,134,453	-	6,134,453
Transfers out	(50,000)	-	(1,752)	-	(51,752)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	-	6,132,701	-	6,082,701
NET CHANGE IN FUND BALANCES	274,185	(6,104)	8,363,039	(4,735)	8,626,385
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	7,250,212	(5,819)	13,434,418	35,463	20,714,274
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 7,524,397	\$ (11,923)	\$ 21,797,457	\$ 30,728	\$ 29,340,659

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER SPECIAL REVENUE FUNDS

June 30, 2011

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

L.L.E.B.G Program - to account for grant monies received from the U.S. Department of Justice. 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 - to account for the collection of fees assessed to developers and for expenditures made to improve the City's transportation system.

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.

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.

Geothermal - to account for state grant monies used to maintain hot water wells owned by the City.

Air Pollution - to account for South Coast Air Quality Board receipts used to develop systems to reduce air pollution.

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.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2011

Cost Recovery System - to account for receipts of deposits paid by developers used to pay for plans and permits.

Developer Agreement - to account for developer lot fees.

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.

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

Redevelopment Agency Cost Recovery System - to account for receipts of deposits paid by developers used to pay for legal and outside consultant services.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2011

	Supplemental Law Enforcement Service	L.L.E.B.G. Program	Office of Traffic and Safety	Traffic Offender	Gas Tax
ASSETS					
Cash and investments	\$ 110,547	\$ 2,170	\$ -	\$ 143,324	\$ 2,487,749
Accrued interest receivable	49	-	-	60	1,060
Due from other governments	25,228	-	36,222	-	-
TOTAL ASSETS	\$ 135,824	\$ 2,170	\$ 36,222	\$ 143,384	\$ 2,488,809
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ 5	\$ -	\$ 1,873	\$ 19,434
Accrued liabilities	-	1,805	-	-	15,007
Deposits and other liabilities	-	-	-	-	-
Due to other funds	-	-	42,555	-	-
Deferred revenue	-	-	15,048	-	-
TOTAL LIABILITIES	-	1,810	57,603	1,873	34,441
FUND BALANCES (DEFICITS):					
Restricted for:					
General government	-	-	-	-	-
Public safety	135,824	360	-	141,511	-
Public services	-	-	-	-	2,454,368
Community services	-	-	-	-	-
Unassigned	-	-	(21,381)	-	-
TOTAL FUND BALANCES (DEFICITS)	135,824	360	(21,381)	141,511	2,454,368
TOTAL LIABILITIES AND FUND BALANCES	\$ 135,824	\$ 2,170	\$ 36,222	\$ 143,384	\$ 2,488,809

See independent auditors' report.

<u>Transportation</u>	<u>Traffic Safety</u>	<u>Lighting and Landscaping</u>	<u>L.L.M.D. No. 1</u>	<u>Geothermal</u>	<u>Air Pollution</u>	<u>C.D.B.G.</u>
\$ 641,010	\$ 184,906	\$ 90,878	\$ 108,752	\$ 21,142	\$ 165,939	\$ -
305	56	-	59	8	68	-
142,905	30,685	35,498	3,610	-	12,224	-
<u>\$ 784,220</u>	<u>\$ 215,647</u>	<u>\$ 126,376</u>	<u>\$ 112,421</u>	<u>\$ 21,150</u>	<u>\$ 178,231</u>	<u>\$ -</u>
\$ 116,383	\$ 72,738	\$ 104,420	\$ 8,263	\$ -	\$ 428	\$ -
1,467	-	-	-	-	-	-
-	-	-	-	1,700	-	-
-	-	-	-	-	-	109,869
-	-	-	-	-	-	-
<u>117,850</u>	<u>72,738</u>	<u>104,420</u>	<u>8,263</u>	<u>1,700</u>	<u>428</u>	<u>109,869</u>
-	-	-	-	19,450	-	-
-	-	-	-	-	-	-
666,370	142,909	21,956	104,158	-	177,803	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(109,869)
<u>666,370</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>
\$ 784,220	\$ 215,647	\$ 126,376	\$ 112,421	\$ 21,150	\$ 178,231	\$ -

(Continued)

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2011

	Cost Recovery System	Developer Agreement	Affordable Housing in Lieu	City Hall/ Public Works
ASSETS				
Cash and investments	\$ 1,093,899	\$ 1,058,328	\$ 1,102,481	\$ 1,087,361
Accrued interest receivable	-	138	480	472
Due from other governments	11,260	-	-	-
TOTAL ASSETS	<u>\$ 1,105,159</u>	<u>\$ 1,058,466</u>	<u>\$ 1,102,961</u>	<u>\$ 1,087,833</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 65,167	\$ 19,983	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	1,039,992	-	-	-
TOTAL LIABILITIES	<u>1,105,159</u>	<u>19,983</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Public services	-	1,038,483	-	1,087,833
Community services	-	-	1,102,961	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>1,038,483</u>	<u>1,102,961</u>	<u>1,087,833</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,105,159</u>	<u>\$ 1,058,466</u>	<u>\$ 1,102,961</u>	<u>\$ 1,087,833</u>

See independent auditors' report.

Community Center	Lake Side Facilities	Animal Shelter	Camino del Norte	Miscellaneous Grants	N.P.D.E.S.	Redevelopment		Total Other Special Revenue Funds
						Agency Cost Recovery System		
\$ 113,300	\$ 212,599	\$ 299,026	\$ 34,883	\$ 704,579	\$ -	\$ 79,040		\$ 9,741,913
49	102	130	16	-	-	-		3,052
-	-	-	-	104,278	46,461	-		448,371
<u>\$ 113,349</u>	<u>\$ 212,701</u>	<u>\$ 299,156</u>	<u>\$ 34,899</u>	<u>\$ 808,857</u>	<u>\$ 46,461</u>	<u>\$ 79,040</u>		<u>\$ 10,193,336</u>
\$ 2,701	\$ 12,051	\$ -	\$ -	\$ 48,794	\$ 2,234	\$ 9,992		\$ 484,466
-	-	-	-	303	2,463	-		21,045
-	-	-	-	-	-	-		1,700
-	-	-	-	-	52,732	-		205,156
-	-	-	-	832,484	-	69,048		1,956,572
<u>2,701</u>	<u>12,051</u>	<u>-</u>	<u>-</u>	<u>881,581</u>	<u>57,429</u>	<u>79,040</u>		<u>2,668,939</u>
-	-	-	-	-	-	-		19,450
-	-	-	-	-	-	-		277,695
-	-	-	34,899	-	-	-		5,728,779
110,648	200,650	299,156	-	-	-	-		1,713,415
-	-	-	-	(72,724)	(10,968)	-		(214,942)
<u>110,648</u>	<u>200,650</u>	<u>299,156</u>	<u>34,899</u>	<u>(72,724)</u>	<u>(10,968)</u>	<u>-</u>		<u>7,524,397</u>
<u>\$ 113,349</u>	<u>\$ 212,701</u>	<u>\$ 299,156</u>	<u>\$ 34,899</u>	<u>\$ 808,857</u>	<u>\$ 46,461</u>	<u>\$ 79,040</u>		<u>\$ 10,193,336</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, 2011

	Supplemental Law Enforcement Service	L.L.E.B.G. Program	Office of Traffic and Safety	Traffic Offender	Gas Tax
REVENUES:					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ 80,056	\$ -
Intergovernmental revenues	100,228	71,619	156,330	-	1,196,730
Fines, forfeitures and penalties	-	-	-	-	-
Investment income	2,001	-	-	2,276	44,836
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	750
TOTAL REVENUES	102,229	71,619	156,330	82,332	1,242,316
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	75,000	38,904	107,982	34,087	-
Public services	-	-	-	-	925,317
Community services	-	-	-	-	-
Capital outlay	-	20,042	-	-	141,121
TOTAL EXPENDITURES	75,000	58,946	107,982	34,087	1,066,438
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,229	12,673	48,348	48,245	175,878
OTHER FINANCING USES:					
Transfers out	-	-	-	-	-
NET CHANGE IN FUND BALANCES	27,229	12,673	48,348	48,245	175,878
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR, AS RESTATED	108,595	(12,313)	(69,729)	93,266	2,278,490
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 135,824</u>	<u>\$ 360</u>	<u>\$ (21,381)</u>	<u>\$ 141,511</u>	<u>\$ 2,454,368</u>

See independent auditors' report.

<u>Transportation</u>	<u>Traffic Safety</u>	<u>Lighting and Landscaping</u>	<u>L.L.M.D. No. 1</u>	<u>Geothermal</u>	<u>Air Pollution</u>	<u>C.D.B.G.</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
821,031	-	-	-	-	-	87,661
-	323,814	-	-	-	-	-
16,040	1,623	-	3,874	372	2,597	-
-	-	1,376,919	209,683	-	-	-
1,394	-	14,102	-	-	55,971	3,328
<u>838,465</u>	<u>325,437</u>	<u>1,391,021</u>	<u>213,557</u>	<u>372</u>	<u>58,568</u>	<u>90,989</u>
-	-	-	-	-	-	12,662
-	218,215	-	-	-	-	75,000
547,914	20,194	1,345,268	132,278	-	9,146	-
-	-	-	-	-	-	-
648,876	-	-	-	-	-	-
<u>1,196,790</u>	<u>238,409</u>	<u>1,345,268</u>	<u>132,278</u>	<u>-</u>	<u>9,146</u>	<u>87,662</u>
(358,325)	87,028	45,753	81,279	372	49,422	3,327
-	-	(20,000)	(30,000)	-	-	-
(358,325)	87,028	25,753	51,279	372	49,422	3,327
<u>1,024,695</u>	<u>55,881</u>	<u>(3,797)</u>	<u>52,879</u>	<u>19,078</u>	<u>128,381</u>	<u>(113,196)</u>
<u>\$ 666,370</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>

(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, 2011

	Cost Recovery System	Developer Agreement	Affordable Housing in Lieu	City Hall/ Public Works
REVENUES:				
Licenses, permits and fees	\$ -	\$ 171,500	\$ 6,802	\$ 70,157
Intergovernmental revenues	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	6,356	20,552	19,437
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	177,856	27,354	89,594
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public services	-	35,530	-	-
Community services	-	7,315	-	-
Capital outlay	-	6,395	-	-
TOTAL EXPENDITURES	-	49,240	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	128,616	27,354	89,594
OTHER FINANCING USES:				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCES	-	128,616	27,354	89,594
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR, AS RESTATED	-	909,867	1,075,607	998,239
FUND BALANCES (DEFICITS) - END OF YEAR	\$ -	\$ 1,038,483	\$ 1,102,961	\$ 1,087,833

See independent auditors' report

Community Center	Lake Side Facilities	Animal Shelter	Camino del Norte	Miscellaneous Grants	N.P.D.E.S.	Redevelopment Agency Cost Recovery System	Total Other Special Revenue Funds
\$ 46,541	\$ 66,548	\$ 29,754	\$ -	\$ 900	\$ 278,996	\$ -	\$ 751,254
-	-	-	-	1,300,654	-	-	3,734,253
-	-	-	-	-	-	-	323,814
1,612	3,675	8,031	653	-	-	-	133,935
-	-	-	-	-	-	-	1,586,602
-	-	-	-	20,119	-	-	95,664
<u>48,153</u>	<u>70,223</u>	<u>37,785</u>	<u>653</u>	<u>1,321,673</u>	<u>278,996</u>	<u>-</u>	<u>6,625,522</u>
-	-	-	-	24,046	-	-	36,708
-	-	-	-	3,783	-	-	552,971
-	-	-	-	57,947	196,949	-	3,270,543
7,493	42,036	187,640	-	151,643	-	-	396,127
-	-	-	-	1,161,355	67,199	-	2,044,988
<u>7,493</u>	<u>42,036</u>	<u>187,640</u>	<u>-</u>	<u>1,398,774</u>	<u>264,148</u>	<u>-</u>	<u>6,301,337</u>
40,660	28,187	(149,855)	653	(77,101)	14,848	-	324,185
-	-	-	-	-	-	-	(50,000)
40,660	28,187	(149,855)	653	(77,101)	14,848	-	274,185
69,988	172,463	449,011	34,246	4,377	(25,816)	-	7,250,212
<u>\$ 110,648</u>	<u>\$ 200,650</u>	<u>\$ 299,156</u>	<u>\$ 34,899</u>	<u>\$ (72,724)</u>	<u>\$ (10,968)</u>	<u>\$ -</u>	<u>\$ 7,524,397</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 100,228	\$ 228
Investment income	-	-	2,001	2,001
TOTAL REVENUES	100,000	100,000	102,229	2,229
EXPENDITURES:				
Current:				
Public safety	75,000	75,000	75,000	-
Capital outlay	25,000	25,000	-	25,000
TOTAL EXPENDITURES	100,000	100,000	75,000	25,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	27,229	27,229
FUND BALANCE - BEGINNING OF YEAR	108,595	108,595	108,595	-
FUND BALANCE - END OF YEAR	\$ 108,595	\$ 108,595	\$ 135,824	\$ 27,229

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

L.L.E.B.G. PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 32,000	\$ 32,000	\$ 71,619	\$ 39,619
EXPENDITURES:				
Current:				
Public safety	17,000	17,000	38,904	(21,904)
Capital outlay	-	-	20,042	(20,042)
TOTAL EXPENDITURES	17,000	17,000	58,946	(41,946)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,000	15,000	12,673	(2,327)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(12,313)	(12,313)	(12,313)	-
FUND BALANCE - END OF YEAR	\$ 2,687	\$ 2,687	\$ 360	\$ (2,327)

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 117,000	\$ 117,000	\$ 156,330	\$ 39,330
EXPENDITURES:				
Current:				
Public safety	50,000	50,000	107,982	(57,982)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	67,000	67,000	48,348	(18,652)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(69,729)	(69,729)	(69,729)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (2,729)</u>	<u>\$ (2,729)</u>	<u>\$ (21,381)</u>	<u>\$ (18,652)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 25,000	\$ 25,000	\$ 80,056	\$ 55,056
Investment income	-	-	2,276	2,276
TOTAL REVENUES	25,000	25,000	82,332	57,332
EXPENDITURES:				
Current:				
Public safety	25,000	25,000	34,087	(9,087)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	48,245	48,245
FUND BALANCE - BEGINNING OF YEAR	93,266	93,266	93,266	-
FUND BALANCE - END OF YEAR	\$ 93,266	\$ 93,266	\$ 141,511	\$ 48,245

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,097,204	\$ 1,097,204	\$ 1,196,730	\$ 99,526
Investment income	-	-	44,836	44,836
Miscellaneous	-	-	750	750
TOTAL REVENUES	1,097,204	1,097,204	1,242,316	145,112
EXPENDITURES:				
Current:				
Public services	840,548	840,548	925,317	(84,769)
Capital outlay	653,750	653,750	141,121	512,629
TOTAL EXPENDITURES	1,494,298	1,494,298	1,066,438	427,860
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(397,094)	(397,094)	175,878	572,972
FUND BALANCE - BEGINNING OF YEAR	2,278,490	2,278,490	2,278,490	-
FUND BALANCE - END OF YEAR	\$ 1,881,396	\$ 1,881,396	\$ 2,454,368	\$ 572,972

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 820,500	\$ 820,500	\$ 821,031	\$ 531
Investment income	-	-	16,040	16,040
Miscellaneous	-	-	1,394	1,394
TOTAL REVENUES	820,500	820,500	838,465	17,965
EXPENDITURES:				
Current:				
Public services	263,221	263,221	547,914	(284,693)
Capital outlay	1,156,730	1,156,730	648,876	507,854
TOTAL EXPENDITURES	1,419,951	1,419,951	1,196,790	223,161
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(599,451)	(599,451)	(358,325)	241,126
FUND BALANCE - BEGINNING OF YEAR	1,024,695	1,024,695	1,024,695	-
FUND BALANCE - END OF YEAR	<u>\$ 425,244</u>	<u>\$ 425,244</u>	<u>\$ 666,370</u>	<u>\$ 241,126</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

TRAFFIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 308,000	\$ 308,000	\$ 323,814	\$ 15,814
Investment income	-	-	1,623	1,623
TOTAL REVENUES	308,000	308,000	325,437	17,437
EXPENDITURES:				
Current:				
Public safety	264,685	264,685	218,215	46,470
Public services	40,000	40,000	20,194	19,806
TOTAL EXPENDITURES	304,685	304,685	238,409	66,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,315	3,315	87,028	83,713
FUND BALANCE - BEGINNING OF YEAR	55,881	55,881	55,881	-
FUND BALANCE - END OF YEAR	\$ 59,196	\$ 59,196	\$ 142,909	\$ 83,713

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,300,000	\$ 1,300,000	\$ 1,376,919	\$ 76,919
Miscellaneous	-	-	14,102	14,102
TOTAL REVENUES	1,300,000	1,300,000	1,391,021	91,021
EXPENDITURES:				
Current:				
Public services	1,275,000	1,275,000	1,345,268	(70,268)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,000	25,000	45,753	20,753
OTHER FINANCING USES:				
Transfers out	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCE	5,000	5,000	25,753	20,753
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(3,797)	(3,797)	(3,797)	-
FUND BALANCE - END OF YEAR	\$ 1,203	\$ 1,203	\$ 21,956	\$ 20,753

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 3,874	\$ 3,874
Special assessments	210,000	210,000	209,683	(317)
TOTAL REVENUES	210,000	210,000	213,557	3,557
EXPENDITURES:				
Current:				
Public services	195,994	195,994	132,278	63,716
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,006	14,006	81,279	67,273
OTHER FINANCING USES:				
Transfers out	(30,000)	(30,000)	(30,000)	-
NET CHANGE IN FUND BALANCE	(15,994)	(15,994)	51,279	67,273
FUND BALANCE - BEGINNING OF YEAR	52,879	52,879	52,879	-
FUND BALANCE - END OF YEAR	\$ 36,885	\$ 36,885	\$ 104,158	\$ 67,273

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 245	\$ 245	\$ 372	\$ 127
FUND BALANCE - BEGINNING OF YEAR	19,078	19,078	19,078	-
FUND BALANCE - END OF YEAR	\$ 19,323	\$ 19,323	\$ 19,450	\$ 127

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

AIR POLLUTION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,000	\$ 2,000	\$ 2,597	\$ 597
Miscellaneous	48,000	48,000	55,971	7,971
TOTAL REVENUES	50,000	50,000	58,568	8,568
EXPENDITURES:				
Current:				
Public services	100,000	100,000	9,146	90,854
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,000)	(50,000)	49,422	99,422
FUND BALANCE - BEGINNING OF YEAR	128,381	128,381	128,381	-
FUND BALANCE - END OF YEAR	\$ 78,381	\$ 78,381	\$ 177,803	\$ 99,422

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 190,370	\$ 190,370	\$ 87,661	\$ (102,709)
Miscellaneous	-	-	3,328	3,328
TOTAL REVENUES	<u>190,370</u>	<u>190,370</u>	<u>90,989</u>	<u>(99,381)</u>
EXPENDITURES:				
Current:				
General government	-	-	12,662	(12,662)
Public safety	75,000	75,000	75,000	-
Capital outlay	<u>115,370</u>	<u>115,370</u>	<u>-</u>	<u>115,370</u>
TOTAL EXPENDITURES	<u>190,370</u>	<u>190,370</u>	<u>87,662</u>	<u>102,708</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	3,327	3,327
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(113,196)</u>	<u>(113,196)</u>	<u>(113,196)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (113,196)</u>	<u>\$ (113,196)</u>	<u>\$ (109,869)</u>	<u>\$ 3,327</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

DEVELOPER AGREEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 171,500	\$ 171,500
Investment income	24,000	24,000	6,356	(17,644)
TOTAL REVENUES	24,000	24,000	177,856	153,856
EXPENDITURES:				
Current:				
Public services	155,012	155,012	35,530	119,482
Community services	-	-	7,315	(7,315)
Capital outlay	-	-	6,395	(6,395)
TOTAL EXPENDITURES	155,012	155,012	49,240	105,772
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(131,012)	(131,012)	128,616	259,628
FUND BALANCE - BEGINNING OF YEAR	909,867	909,867	909,867	-
FUND BALANCE - END OF YEAR	\$ 778,855	\$ 778,855	\$ 1,038,483	\$ 259,628

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 10,000	\$ 10,000	\$ 6,802	\$ (3,198)
Investment income	12,000	12,000	20,552	8,552
TOTAL REVENUES	22,000	22,000	27,354	5,354
FUND BALANCE - BEGINNING OF YEAR	1,075,607	1,075,607	1,075,607	-
FUND BALANCE - END OF YEAR	\$ 1,097,607	\$ 1,097,607	\$ 1,102,961	\$ 5,354

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 56,000	\$ 56,000	\$ 70,157	\$ 14,157
Investment income	-	-	19,437	19,437
TOTAL REVENUES	56,000	56,000	89,594	33,594
FUND BALANCE - BEGINNING OF YEAR	998,239	998,239	998,239	-
FUND BALANCE - END OF YEAR	<u>\$ 1,054,239</u>	<u>\$ 1,054,239</u>	<u>\$ 1,087,833</u>	<u>\$ 33,594</u>

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 32,000	\$ 32,000	\$ 46,541	\$ 14,541
Investment income	-	-	1,612	1,612
TOTAL REVENUES	32,000	32,000	48,153	16,153
EXPENDITURES:				
Current:				
Community services	-	-	7,493	(7,493)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,000	32,000	40,660	8,660
FUND BALANCE - BEGINNING OF YEAR	69,988	69,988	69,988	-
FUND BALANCE - END OF YEAR	\$ 101,988	\$ 101,988	\$ 110,648	\$ 8,660

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 49,900	\$ 49,900	\$ 66,548	\$ 16,648
Investment income	-	-	3,675	3,675
TOTAL REVENUES	49,900	49,900	70,223	20,323
EXPENDITURES:				
Current:				
Community services	268,271	268,271	42,036	226,235
Capital outlay	49,860	49,860	-	49,860
TOTAL EXPENDITURES	318,131	318,131	42,036	276,095
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(268,231)	(268,231)	28,187	296,418
FUND BALANCE - BEGINNING OF YEAR	172,463	172,463	172,463	-
FUND BALANCE - END OF YEAR	\$ (95,768)	\$ (95,768)	\$ 200,650	\$ 296,418

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 25,000	\$ 25,000	\$ 29,754	\$ 4,754
Investment income	-	-	8,031	8,031
TOTAL REVENUES	25,000	25,000	37,785	12,785
EXPENDITURES:				
Current:				
Community services	200,000	200,000	187,640	12,360
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(175,000)	(175,000)	(149,855)	25,145
FUND BALANCE - BEGINNING OF YEAR	449,011	449,011	449,011	-
FUND BALANCE - END OF YEAR	\$ 274,011	\$ 274,011	\$ 299,156	\$ 25,145

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 370	\$ 370	\$ 653	\$ 283
FUND BALANCE - BEGINNING OF YEAR	34,246	34,246	34,246	-
FUND BALANCE - END OF YEAR	\$ 34,616	\$ 34,616	\$ 34,899	\$ 283

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 900	\$ 900
Intergovernmental revenues	866,994	866,994	1,300,654	433,660
Miscellaneous	-	-	20,119	20,119
TOTAL REVENUES	866,994	866,994	1,321,673	454,679
EXPENDITURES:				
Current:				
General government	25,545	25,545	24,046	1,499
Public safety	100,000	100,000	3,783	96,217
Public services	-	-	57,947	(57,947)
Community services	-	-	151,643	(151,643)
Capital outlay	1,475,137	1,475,137	1,161,355	313,782
TOTAL EXPENDITURES	1,600,682	1,600,682	1,398,774	201,908
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(733,688)	(733,688)	(77,101)	656,587
FUND BALANCE - BEGINNING OF YEAR	4,377	4,377	4,377	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (729,311)	\$ (729,311)	\$ (72,724)	\$ 656,587

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 179,000	\$ 179,000	\$ 278,996	\$ 99,996
EXPENDITURES:				
Current:				
Public services	393,526	393,526	196,949	196,577
Capital outlay	66,901	66,901	67,199	(298)
TOTAL EXPENDITURES	460,427	460,427	264,148	196,279
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(281,427)	(281,427)	14,848	296,275
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(25,816)	(25,816)	(25,816)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (307,243)	\$ (307,243)	\$ (10,968)	\$ 296,275

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER CAPITAL PROJECTS FUNDS

June 30, 2011

OTHER FUNDS:

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.

Library Capital Improvement - to account for general capital improvements necessary for the maintenance of the Public Library.

Signalization Improvement - to account for general improvements and repairs to signal lights within the City.

Traffic Improvements - to account for projects related to traffic improvements.

City Fire Protection - to account for the construction of fire facilities at the Cottonwood Canyon Development.

Public Improvements - to account for special designated improvements to City property.

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

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.

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.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER CAPITAL PROJECTS FUNDS

June 30, 2011

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain	Library Capital Improvement	Signalization Improvement
ASSETS						
Cash and investments	\$ 391,419	\$ 297,569	\$ 13,609	\$ 5,137,824	\$ 1,404,629	\$ 148,873
Cash and investments with fiscal agents	-	-	-	-	-	-
Accrued interest receivable	306	128	6	2,238	614	65
Due from other governments	3,051	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
TOTAL ASSETS	\$ 394,776	\$ 297,697	\$ 13,615	\$ 5,140,062	\$ 1,405,243	\$ 148,938
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 18,928	\$ -	\$ -	\$ -	\$ 3,410	\$ -
Due to other funds	-	-	-	-	-	-
Deferred revenue	3,051	-	-	-	-	-
TOTAL LIABILITIES	21,979	-	-	-	3,410	-
FUND BALANCES (DEFICIT):						
Nonspendable:						
Land held for resale	-	-	-	-	-	-
Restricted for:						
Capital projects	-	297,697	13,615	-	-	-
Assigned to:						
Capital projects	372,797	-	-	5,140,062	1,401,833	148,938
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	372,797	297,697	13,615	5,140,062	1,401,833	148,938
TOTAL LIABILITIES AND FUND BALANCES	\$ 394,776	\$ 297,697	\$ 13,615	\$ 5,140,062	\$ 1,405,243	\$ 148,938

See independent auditors' report.

Traffic Improvements	City Fire Protection	Public Improvements	Fire Station	TUMF	Boat Launch Construction	Assessment Districts	Redevelopment Agency	Total Other Capital Projects Funds
\$ 3,273,274	\$ 280,034	\$ 637,080	\$ 18	\$ 4,294	\$ 4,974,599	\$ 138,589	\$ 536,043	\$ 17,237,854
-	-	-	-	-	-	3,439,181	-	3,439,181
1,419	121	276	-	-	-	61	-	5,234
-	-	-	-	810,978	-	-	-	814,029
-	-	-	-	-	-	-	6,088,480	6,088,480
<u>\$ 3,274,693</u>	<u>\$ 280,155</u>	<u>\$ 637,356</u>	<u>\$ 18</u>	<u>\$ 815,272</u>	<u>\$ 4,974,599</u>	<u>\$3,577,831</u>	<u>\$ 6,624,523</u>	<u>\$ 27,584,778</u>
\$ -	\$ -	\$ -	\$ -	\$ 26,467	\$ 5,231	\$ -	\$ 28,421	\$ 82,457
-	-	-	-	261,551	-	-	4,809,388	5,070,939
-	-	-	-	630,874	-	-	-	633,925
-	-	-	-	918,892	5,231	-	4,837,809	5,787,321
-	-	-	-	-	-	-	6,088,480	6,088,480
-	-	-	-	-	4,969,368	3,577,831	493,883	9,352,394
3,274,693	280,155	637,356	18	-	-	-	-	11,255,852
-	-	-	-	(103,620)	-	-	(4,795,649)	(4,899,269)
<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>\$ 3,274,693</u>	<u>\$ 280,155</u>	<u>\$ 637,356</u>	<u>\$ 18</u>	<u>\$ 815,272</u>	<u>\$ 4,974,599</u>	<u>\$3,577,831</u>	<u>\$ 6,624,523</u>	<u>\$ 27,584,778</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, 2011

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain	Library Capital Improvement	Signalization Improvement
REVENUES:						
Licenses, permits and fees	\$ -	\$ 254,488	\$ -	\$ 92,476	\$ 48,300	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Investment income	5,432	4,252	255	95,106	26,072	2,780
Contribution from property owners	-	-	-	-	-	-
Miscellaneous	22	-	-	-	-	-
TOTAL REVENUES	5,454	258,740	255	187,582	74,372	2,780
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public services	103,837	4,945	-	8,000	22,520	-
Capital outlay	58,868	118,204	-	-	-	-
TOTAL EXPENDITURES	162,705	123,149	-	8,000	22,520	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(157,251)	135,591	255	179,582	51,852	2,780
OTHER FINANCING SOURCES (USES):						
Transfers in	231,000	-	-	-	-	-
Transfers out	(1,752)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	229,248	-	-	-	-	-
NET CHANGE IN FUND BALANCES	71,997	135,591	255	179,582	51,852	2,780
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	300,800	162,106	13,360	4,960,480	1,349,981	146,158
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 372,797	\$ 297,697	\$ 13,615	\$ 5,140,062	\$ 1,401,833	\$ 148,938

See independent auditors' report.

Traffic Improvements	City Fire Protection	Public Improvements	Fire Station	TUMF	Boat Launch Construction	Assessment Districts	Redevelopment Agency	Total Other Capital Projects Funds
\$ 213,570	\$ 106,919	\$ 41,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 757,272
-	-	-	-	366,113	-	-	-	366,113
58,471	3,955	11,720	1	-	-	4,569	94	212,707
-	-	-	-	-	-	5,352,614	-	5,352,614
-	-	-	-	-	3,000	-	319,930	322,952
<u>272,041</u>	<u>110,874</u>	<u>53,239</u>	<u>1</u>	<u>366,113</u>	<u>3,000</u>	<u>5,357,183</u>	<u>320,024</u>	<u>7,011,658</u>
-	-	-	-	-	-	2,666,440	-	2,666,440
778	-	-	-	137,176	6,173	-	945,401	1,228,830
-	-	-	-	177,678	5,912	525,388	-	886,050
<u>778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,854</u>	<u>12,085</u>	<u>3,191,828</u>	<u>945,401</u>	<u>4,781,320</u>
<u>271,263</u>	<u>110,874</u>	<u>53,239</u>	<u>1</u>	<u>51,259</u>	<u>(9,085)</u>	<u>2,165,355</u>	<u>(625,377)</u>	<u>2,230,338</u>
-	-	-	-	-	4,978,453	-	925,000	6,134,453
-	-	-	-	-	-	-	-	(1,752)
-	-	-	-	-	4,978,453	-	925,000	6,132,701
271,263	110,874	53,239	1	51,259	4,969,368	2,165,355	299,623	8,363,039
<u>3,003,430</u>	<u>169,281</u>	<u>584,117</u>	<u>17</u>	<u>(154,879)</u>	<u>-</u>	<u>1,412,476</u>	<u>1,487,091</u>	<u>13,434,418</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>

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 5,432	\$ 5,432
Miscellaneous	-	-	22	22
TOTAL REVENUES	-	-	5,454	5,454
EXPENDITURES:				
Current:				
Public services	143,434	143,434	103,837	39,597
Capital outlay	257,919	257,919	58,868	199,051
TOTAL EXPENDITURES	401,353	401,353	162,705	238,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(401,353)	(401,353)	(157,251)	244,102
OTHER FINANCING SOURCES (USES):				
Transfers in	227,950	227,950	231,000	3,050
Transfers out	-	-	(1,752)	(1,752)
TOTAL OTHER FINANCING SOURCES (USES)	227,950	227,950	229,248	1,298
NET CHANGE IN FUND BALANCE	(173,403)	(173,403)	71,997	245,400
FUND BALANCE - BEGINNING OF YEAR	300,800	300,800	300,800	-
FUND BALANCE - END OF YEAR	\$ 127,397	\$ 127,397	\$ 372,797	\$ 245,400

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 95,000	\$ 95,000	\$ 254,488	\$ 159,488
Investment income	10,000	10,000	4,252	(5,748)
TOTAL REVENUES	105,000	105,000	258,740	153,740
EXPENDITURES:				
Current:				
Public services	-	-	4,945	(4,945)
Capital outlay	130,000	130,000	118,204	11,796
TOTAL EXPENDITURES	130,000	130,000	123,149	6,851
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(25,000)	135,591	160,591
FUND BALANCE - BEGINNING OF YEAR	162,106	162,106	162,106	-
FUND BALANCE - END OF YEAR	\$ 137,106	\$ 137,106	\$ 297,697	\$ 160,591

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 145	\$ 145	\$ 255	\$ 110
FUND BALANCE - BEGINNING OF YEAR	13,360	13,360	13,360	-
FUND BALANCE - END OF YEAR	<u>\$ 13,505</u>	<u>\$ 13,505</u>	<u>\$ 13,615</u>	<u>\$ 110</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 20,000	\$ 20,000	\$ 92,476	\$ 72,476
Investment income	75,000	75,000	95,106	20,106
TOTAL REVENUES	<u>95,000</u>	<u>95,000</u>	<u>187,582</u>	<u>92,582</u>
EXPENDITURES:				
Current:				
Public services	-	-	8,000	(8,000)
Capital outlay	65,000	65,000	-	65,000
TOTAL EXPENDITURES	<u>65,000</u>	<u>65,000</u>	<u>8,000</u>	<u>57,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,000	30,000	179,582	149,582
FUND BALANCE - BEGINNING OF YEAR	<u>4,960,480</u>	<u>4,960,480</u>	<u>4,960,480</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,990,480</u>	<u>\$ 4,990,480</u>	<u>\$ 5,140,062</u>	<u>\$ 149,582</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 30,000	\$ 30,000	\$ 48,300	\$ 18,300
Investment income	11,000	11,000	26,072	15,072
TOTAL REVENUES	41,000	41,000	74,372	33,372
EXPENDITURES:				
Current:				
Public services	30,000	30,000	22,520	7,480
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,000	11,000	51,852	40,852
FUND BALANCE - BEGINNING OF YEAR	1,349,981	1,349,981	1,349,981	-
FUND BALANCE - END OF YEAR	\$ 1,360,981	\$ 1,360,981	\$ 1,401,833	\$ 40,852

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,570	\$ 1,570	\$ 2,780	\$ 1,210
FUND BALANCE - BEGINNING OF YEAR	146,158	146,158	146,158	-
FUND BALANCE - END OF YEAR	<u>\$ 147,728</u>	<u>\$ 147,728</u>	<u>\$ 148,938</u>	<u>\$ 1,210</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 22,000	\$ 22,000	\$ 213,570	\$ 191,570
Investment income	35,000	35,000	58,471	23,471
TOTAL REVENUES	57,000	57,000	272,041	215,041
EXPENDITURES:				
Current:				
Public services	-	-	778	(778)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,000	57,000	271,263	214,263
FUND BALANCE - BEGINNING OF YEAR	3,003,430	3,003,430	3,003,430	-
FUND BALANCE - END OF YEAR	\$ 3,060,430	\$ 3,060,430	\$ 3,274,693	\$ 214,263

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 40,000	\$ 40,000	\$ 106,919	\$ 66,919
Investment income	13,000	13,000	3,955	(9,045)
TOTAL REVENUES	53,000	53,000	110,874	57,874
FUND BALANCE - BEGINNING OF YEAR	169,281	169,281	169,281	-
FUND BALANCE - END OF YEAR	\$ 222,281	\$ 222,281	\$ 280,155	\$ 57,874

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

PUBLIC IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 20,000	\$ 20,000	\$ 41,519	\$ 21,519
Investment income	6,000	6,000	11,720	5,720
TOTAL REVENUES	26,000	26,000	53,239	27,239
FUND BALANCE - BEGINNING OF YEAR	584,117	584,117	584,117	-
FUND BALANCE - END OF YEAR	\$ 610,117	\$ 610,117	\$ 637,356	\$ 27,239

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 2,346,860	\$ 2,346,860	\$ 366,113	\$ (1,980,747)
EXPENDITURES:				
Current:				
Public services	402,792	402,792	137,176	265,616
Capital outlay	2,346,860	2,346,860	177,678	2,169,182
TOTAL EXPENDITURES	2,749,652	2,749,652	314,854	2,434,798
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(402,792)	(402,792)	51,259	454,051
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(154,879)	(154,879)	(154,879)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (557,671)	\$ (557,671)	\$ (103,620)	\$ 454,051

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 94	\$ 94
Miscellaneous	300,000	300,000	319,930	19,930
TOTAL REVENUES	300,000	300,000	320,024	20,024
EXPENDITURES:				
Current:				
Public services	1,296,605	1,296,605	945,401	351,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(996,605)	(996,605)	(625,377)	371,228
OTHER FINANCING SOURCES:				
Transfers in	-	-	925,000	925,000
NET CHANGE IN FUND BALANCE	(996,605)	(996,605)	299,623	1,296,228
FUND BALANCE - BEGINNING OF YEAR	1,487,091	1,487,091	1,487,091	-
FUND BALANCE - END OF YEAR	\$ 490,486	\$ 490,486	\$ 1,786,714	\$ 1,296,228

See independent auditors' report.

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 370	\$ 370	\$ 315	\$ (55)
EXPENDITURES:				
Current:				
Public services	2,100	2,100	5,050	(2,950)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,730)	(1,730)	(4,735)	(3,005)
FUND BALANCE - BEGINNING OF YEAR	35,463	35,463	35,463	-
FUND BALANCE - END OF YEAR	\$ 33,733	\$ 33,733	\$ 30,728	\$ (3,005)

See independent auditors' report.

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CITY OF LAKE ELSINORE, CALIFORNIA

AGENCY FUNDS

June 30, 2011

Kangaroo Rat - to account for receipts of Kangaroo Rat fees.

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.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2011

	Kangaroo Rat	Developer Deposit Trust	Assessment Districts	Lake Maintenance	Destratification Equipment Replacement	Total Agency Funds
ASSETS						
Cash and investments	\$ -	\$ 1,622,068	\$ 2,202,959	\$ -	\$ 147,011	\$ 3,972,038
Cash and investments with fiscal agents	-	-	39,590,510	431,122	-	40,021,632
Accrued interest receivable	-	-	723	-	-	723
Due from other governments	-	-	563,056	-	-	563,056
TOTAL ASSETS	\$ -	\$ 1,622,068	\$ 42,357,248	\$ 431,122	\$ 147,011	\$ 44,557,449
LIABILITIES						
Accounts payable	\$ -	\$ 1,000	\$ 535,948	\$ -	\$ 2,481	\$ 539,429
Deposits and other liabilities	-	1,621,068	65,000	431,122	144,530	2,261,720
Due to other governments	-	-	3,199,003	-	-	3,199,003
Due to bondholders	-	-	38,557,297	-	-	38,557,297
TOTAL LIABILITIES	\$ -	\$ 1,622,068	\$ 42,357,248	\$ 431,122	\$ 147,011	\$ 44,557,449

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, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
KANGAROO RAT				
ASSETS:				
Cash and investments	\$ 4,198	\$ -	\$ 4,198	\$ -
LIABILITIES:				
Accounts payable	\$ 4,198	\$ -	\$ 4,198	\$ -
DEVELOPER DEPOSIT TRUST				
ASSETS:				
Cash and investments	\$ 1,074,831	\$ 547,237	\$ -	\$ 1,622,068
LIABILITIES:				
Accounts payable	\$ -	\$ 1,000	\$ -	\$ 1,000
Deposits and other liabilities	1,074,831	546,237	-	1,621,068
TOTAL LIABILITIES	\$ 1,074,831	\$ 547,237	\$ -	\$ 1,622,068
ASSESSMENT DISTRICTS				
ASSETS:				
Cash and investments	\$ 2,099,908	\$ 103,051	\$ -	\$ 2,202,959
Cash and investments with fiscal agents	35,966,337	3,624,173	-	39,590,510
Accounts receivable	24,598	-	24,598	-
Accrued interest receivable	99,095	-	98,372	723
Due from other governments	1,459,262	-	896,206	563,056
TOTAL ASSETS	\$ 39,649,200	\$ 3,727,224	\$ 1,019,176	\$ 42,357,248
LIABILITIES:				
Accounts payable	\$ 16,373	\$ 519,575	\$ -	\$ 535,948
Deposits and other liabilities	65,000	-	-	65,000
Due to other governments	4,685,615	-	1,486,612	3,199,003
Due to bondholders	34,882,212	3,675,085	-	38,557,297
TOTAL LIABILITIES	\$ 39,649,200	\$ 4,194,660	\$ 1,486,612	\$ 42,357,248

(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, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
LAKE MAINTENANCE				
ASSETS:				
Cash and investments with fiscal agents	\$ 1,731,273	\$ -	\$ 1,300,151	\$ 431,122
LIABILITIES:				
Deposits and other liabilities	\$ 1,731,273	\$ -	\$ 1,300,151	\$ 431,122
DESTRATIFICATION EQUIPMENT REPLACEMENT				
ASSETS:				
Cash and investments	\$ 112,425	\$ 34,586	\$ -	\$ 147,011
LIABILITIES:				
Accounts payable	\$ 289	\$ 2,192	\$ -	\$ 2,481
Deposits and other liabilities	112,136	32,394	-	144,530
TOTAL LIABILITIES	\$ 112,425	\$ 34,586	\$ -	\$ 147,011
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 3,291,362	\$ 684,874	\$ 4,198	\$ 3,972,038
Cash and investments with fiscal agents	37,697,610	3,624,173	1,300,151	40,021,632
Accounts receivable	24,598	-	24,598	-
Accrued interest receivable	99,095	-	98,372	723
Due from other governments	1,459,262	-	896,206	563,056
TOTAL ASSETS	\$ 42,571,927	\$ 4,309,047	\$ 2,323,525	\$ 44,557,449
LIABILITIES:				
Accounts payable	\$ 20,860	\$ 522,767	\$ 4,198	\$ 539,429
Deposits and other liabilities	2,983,240	578,631	1,300,151	2,261,720
Due to other governments	4,685,615	-	1,486,612	3,199,003
Due to bondholders	34,882,212	3,675,085	-	38,557,297
TOTAL LIABILITIES	\$ 42,571,927	\$ 4,776,483	\$ 2,790,961	\$ 44,557,449

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

June 30, 2011

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 5,352,814
Building and structures	30,605,938
Improvements other than buildings	8,310,251
Machinery and equipment	3,390,939
Furniture and fixtures	625,898
Automotive	2,009,465
Infrastructure	182,261,982
Construction in progress	2,561,733
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 235,119,020</u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General Fund	\$ 109,173,805
Redevelopment Agency Special Revenue Fund	17,839,207
Supplemental Law Enforcement Service Special Revenue Fund	102,366
L.L.E.B.G. 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	2,165,416
Transportation Special Revenue Fund	3,238,827
Traffic Safety Special Revenue Fund	5,959
Lighting and Landscaping Special Revenue Fund	57,059
Air Pollution Special Revenue Fund	220,177
C.D.B.G. Special Revenue Fund	1,575,695
Developer Agreement Special Revenue Fund	1,854,215
City Hall/Public Works Special Revenue Fund	152,951
Community Center Special Revenue Fund	7,494
Lakeside Facilities Special Revenue Fund	573,999
Miscellaneous Grants Special Revenue Fund	1,407,828
N.P.D.E.S. Special Revenue Fund	132,736
Assessment Districts Capital Projects Fund	59,706,935
Miscellaneous General Projects Capital Projects Fund	26,705,645
Park Improvement and Development Capital Projects Fund	1,382,968
Street Capital Improvements 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 Improvements Capital Projects Fund	393,064
Fire Station Capital Projects Fund	170,990
TUMF Capital Projects Fund	1,582,032
TOTAL INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE	<u>\$ 235,119,020</u>

See independent auditors' report.

STATISTICAL SECTION



DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2011

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.	158 - 167
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	169 - 173
<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.	174 - 180
<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.	181 - 182
<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.	183 - 186

CITY OF LAKE ELSINORE

NET ASSETS BY COMPONENT

Last Nine 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	(111,687,867)	(107,107,310)	(103,129,508)	(93,977,441)
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>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Fisal Year				
2007	2008	2009	2010	2011
\$ 97,369,896	\$ 125,539,928	\$ 141,550,858	\$ 142,968,348	\$ 141,427,875
173,307,658	151,937,522	122,099,858	110,984,917	134,777,767
<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>\$ 178,173,483</u>	<u>\$ 181,236,969</u>	<u>\$ 166,858,188</u>	<u>\$ 160,094,137</u>	<u>\$ 165,631,681</u>

CITY OF LAKE ELŠINORE

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Nine 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>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 10,414,729	\$ 8,195,897	\$ 10,562,122	\$ 10,252,727	\$ 11,079,707
11,686,158	14,293,269	13,139,389	11,022,531	11,212,605
21,514,552	32,342,175	31,976,146	15,847,532	16,060,065
9,867,133	10,861,673	14,123,738	14,812,199	8,145,956
6,801,741	6,013,006	4,737,856	4,295,719	4,704,242
11,531,570	10,145,830	10,168,917	10,509,806	7,674,342
<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>
9,204,517	6,885,167	4,828,438	3,181,706	3,167,346
-	-	-	-	-
4,362,650	3,960,353	1,064,036	924,493	1,508,526
-	-	-	-	-
1,364,513	1,422,754	1,482,146	1,578,779	1,586,602
5,043,547	4,109,188	6,482,888	4,561,669	3,292,972
42,085,516	2,159,798	-	-	6,573,426
<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>
(9,755,140)	(63,314,590)	(70,850,660)	(56,493,867)	(42,748,045)
<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>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Nine 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	-	-	-
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	15,028,095	1,286,545	15,078,595	69,895,947
Total primary government	<u>\$ 15,028,095</u>	<u>\$ 1,286,545</u>	<u>\$ 15,078,595</u>	<u>\$ 69,895,947</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

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

CITY OF LAKE ELSINORE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Nine 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.

The City of Lake Elsinore has elected to show only nine years of data for this schedule.

Source: City Finance Department

Fiscal Year				
2007	2008	2009	2010	2011
\$ 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>
\$ 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>
\$ -	\$ -	\$ -	\$ -	\$ 4,027,179
-	-	-	-	10,788,602
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,815,781</u>
\$ -	\$ -	\$ -	\$ -	\$ 84,348,929
-	-	-	-	81,289,209
-	-	-	-	9,352,394
-	-	-	-	14,639,940
-	-	-	-	11,255,852
-	-	-	-	(214,942)
-	-	-	-	(32,948,107)
-	-	-	-	(4,899,269)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,824,006</u>

CITY OF LAKE ELSINORE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Nine 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%

The City of Lake Elsinore has elected to show only nine years of data for this schedule.

Source: City Finance Department

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

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CITY OF LAKE ELSINORE

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

Agency	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	0.00000	0.02117	0.01625	0.01435	0.00578	0.00549	0.02370	0.03254	0.03436
Metropolitan Water District	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370
Perris School District	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02999	0.02894	0.02485	0.01983
Perris Union High School	0.01696	0.01748	0.0156	0.01192	0.0235	0.03222	0.0211	0.02031	0.02686	0.03126
Total Direct and Overlapping ² Tax Rates	1.02466	1.02418	1.04287	1.03397	1.04305	1.04270	1.06108	1.07725	1.08855	1.08915
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	1.00770	1.00670	1.00610	1.00580	1.00520	1.00470	1.00450	1.00430	1.00430	1.00370
Total Direct Rate ⁵	0.63574	0.63470	0.61268	0.58827	0.57653	0.53996	0.51615	0.51762	0.53493	0.53269

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 2001/02 - 2010/11 Tax Rate Table and Annual Tax Increment Tables

CITY OF LAKE ELSINORE

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2011		2002	
	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	\$ 50,489,413	1.29%	-	0.00%
Castle and Cooke, Lake Elsinore Outlet	43,437,742	1.11%	-	0.00%
Pacific Aggregates, Inc.	42,463,999	1.08%	-	0.00%
Castle and Cooke, Lake Elsinore West	38,144,168	0.97%	-	0.00%
Broadstone Rivers Edge	28,042,552	0.71%	-	0.00%
JPMCC2006-LDP6 Lake Elsinore	24,847,661	0.63%	-	0.00%
Pacific Clay Products Inc.	19,525,386	0.50%	-	0.00%
McMillin Summerly LLC	18,368,067	0.47%	-	0.00%
Federal National Mortgage Association	17,159,617	0.44%	-	0.00%
Centex Homes	17,084,122	0.43%	-	0.00%
MCG Outlet Centers LP	-	0.00%	\$ 74,822,360	4.82%
King Videocable Company	-	0.00%	22,401,043	1.44%
Elsinore Val Water and Sewer Facilities Corp.	-	0.00%	14,351,086	0.92%
Wares Delaware Corporation	-	0.00%	13,499,835	0.87%
Oak Grove Equities	-	0.00%	11,668,023	0.75%
Pardee Grossman Cottonwood Canyon	-	0.00%	11,561,291	0.75%
Albertson's	-	0.00%	11,017,263	0.71%
Louis F. DePasquale	-	0.00%	8,435,953	0.54%
White Rock Acquisition Company	-	0.00%	8,127,723	0.52%
Railroad Canyon Lake Elsinore	-	0.00%	7,598,333	0.49%
	<u>\$ 299,562,727</u>	<u>7.62%</u>	<u>\$ 183,482,910</u>	<u>11.83%</u>

(1) 2010-11 Local Secured Assessed Valuation: \$ 3,928,751,948
 (2) 2001-02 Local Secured Assessed Valuation: \$ 1,551,637,303

Source: Riverside County Assessor 2001/02 - 2010/11 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
2002	\$ 1,006,982	\$ 1,027,863	102.07%	\$ 10,373	\$ 1,038,236	103.10%
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%	149,942	2,463,523	111.56%
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 (1)	2,096,968	110.68%
2011	1,900,256	1,797,763	94.61%	82,035	1,879,798	98.92%

Note:

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

(1) Collections received through March 1, 2011.

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	
2002	\$ 1,480,961,595	\$ 70,675,708	\$ 1,551,637,303
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

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			
Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
n/a	n/a	n/a	0.63574%
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%

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
2002	\$ 69,610,000	\$ 60,220,000	\$ -	\$ 15,660,000	\$ 4,819,657
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

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
\$ 8,787,427	\$ 44,682	\$ -	\$ -	\$ 159,141,766	31.81%	5,300
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

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		
2002	\$ 60,220,000	\$ 60,220,000	3.88%	\$ 2,006
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

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, 2011

City Assessed Valuation	\$ 4,052,357,508
Redevelopment Agency Incremental Valuation	(1,897,539,942)
Total Assessed Valuation	<u>\$ 2,154,817,566</u>

	Percentage Applicable (1)	Outstanding Debt 6/30/11	City's Share of Overlapping Debt 6/30/11
<u>Overlapping Tax and Assessment Debt:</u>			
Riverside County Flood Control District, Zone No. 3 Benefit Assessment District	47.115%	\$ 2,685,000	\$ 1,265,038
Metropolitan Water District	0.103%	227,670,000	234,500
Perris Union High School District	0.785%	54,717,260	429,530
Menifee Union School District	1.165%	45,108,922	525,519
Perris School District	0.400%	7,454,571	29,818
Lake Elsinore Unified School District Community Facilities Districts	100.000%	24,631,327	24,631,327
City of Lake Elsinore Community Facilities District No. 88-3	100.000%	27,440,000	27,440,000
City of Lake Elsinore Community Facilities District No. 90-2	100.000%	14,885,000	14,885,000
City of Lake Elsinore Community Facilities District No. 95-1	100.000%	1,205,000	1,205,000
City of Lake Elsinore Community Facilities District No. 98-1	100.000%	17,535,000	17,535,000
City of Lake Elsinore Community Facilities District No. 2003-2	100.000%	32,180,000	32,180,000
City of Lake Elsinore Community Facilities District No. 2004-3	100.000%	45,525,000	45,525,000
City of Lake Elsinore Community Facilities District No. 2005-1	100.000%	8,880,000	8,880,000
City of Lake Elsinore Community Facilities District No. 2005-2	100.000%	24,480,000	24,480,000
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%	3,495,000	3,495,000
City of Lake Elsinore Community Facilities District No. 2006-2	100.000%	7,225,000	7,225,000
City of Lake Elsinore 1915 Act Bonds	100.000%	19,463,734	19,463,734
Total overlapping tax and assessment debt			<u>\$ 232,694,466</u>
<u>Direct and Overlapping General Fund Debt:</u>			
Riverside County General Fund Obligations	1.473%	696,634,853	10,261,431
Riverside County Pension Obligations	1.473%	366,945,000	5,405,100
Riverside County Board of Education Certificates of Participation	1.473%	6,170,000	90,884
Mount San Jacinto Community College District General Fund Obligations	3.904%	12,215,000	476,874
Lake Elsinore Unified School District Certificates of Participation	30.086%	38,300,000	11,522,938
Perris Union High School District General Fund Obligations	0.785%	31,575,000	247,864
Menifee and Perris School District Certificates of Participation	1.165 & 0.400 %	14,840,000	107,402
City of Lake Elsinore General Fund Obligations	100.000%	13,365,000	13,365,000
Elsinore Water District Certificates of Participation	48.140%	235,144	113,198
Ortega Trail Recreation and Park District Certificates of Participation	36.523%	145,000	52,958
Total gross direct and overlapping general fund debt			<u>41,643,649</u>
Less: Riverside County General Fund self-supporting obligations			203,321
Total net direct and overlapping general fund debt			<u>41,440,328</u>
Gross combined total debt (2)			<u>\$ 274,338,115</u>
Net total direct and overlapping debt			<u>\$ 274,134,794</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			
	2002	2003	2004	2005
Assessed valuation	\$ 1,525,792,000	\$ 1,626,026,872	\$ 1,907,367,963	\$ 2,243,178,491
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	381,448,000	406,506,718	476,841,991	560,794,623
Debt limit percentage	15%	15%	15%	15%
Debt limit	57,217,200	60,976,008	71,526,299	84,119,193
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 57,217,200</u>	<u>\$ 60,976,008</u>	<u>\$ 71,526,299</u>	<u>\$ 84,119,193</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					
2006	2007	2008	2009	2010	2011
\$ 2,851,510,537	\$ 3,648,621,060	\$ 4,887,272,022	\$ 4,886,177,664	\$ 4,019,961,300	\$ 4,062,119,890
25%	25%	25%	25%	25%	25%
712,877,634	912,155,265	1,221,818,006	1,221,544,416	1,004,990,325	1,015,529,973
15%	15%	15%	15%	15%	15%
106,931,645	136,823,290	183,272,701	183,231,662	150,748,549	152,329,496
-	-	-	-	-	-
<u>\$ 106,931,645</u>	<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>
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	Redevelopment Tax Increment Revenue	Debt Service		Coverage	Tax Allocation Bonds
		Principal	Interest		
2002	\$ 8,400,465	\$ 1,365,504	\$ 3,663,230	1.67	\$ 60,220,000
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

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)
2002	30,027	\$ 500,294	\$ 16,661	5.30%
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%

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	2011		2002	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Lake Elsinore Unified School District	1,526	9.13%	-	0.00%
Outlet Center	1,169	7.00%	-	0.00%
Stater Bros. (3 stores today)	305	1.83%	127	1.27%
Walmart	245	1.47%	245	2.45%
Costco	201	1.20%	-	0.00%
Lake Elsinore Storm/Golden State Concession	200	1.20%	165	1.65%
Medley Communications	175	1.05%	-	0.00%
Shirt WERX / Innovative Merchandising	160	0.96%	-	0.00%
E. V. M. W. D.	170	1.02%	-	0.00%
Home Depot	160	0.96%	-	0.00%
Riverside Public Social Services	160	0.96%	-	0.00%
Target	150	0.90%	-	0.00%
Lake Elsinore Hotel & Casino	150	0.90%	200	2.00%
Lake Chevrolet	116	0.69%	104	1.04%
Lowe's	106	0.63%	-	0.00%

"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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	18	17	19	18	21	26	26	20	20	17
Community Services (includes Public works)	36	34	37	36	41	52	52	41	42	47
Community development	17	17	18	17	20	23	23	21	14	11
Total	<u>71</u>	<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>

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			
	2002	2003	2004	2005
Police:				
Lake related boating enforcement citations	1,048	1,091	800	703
Hazardous traffic violations	597	519	1,533	1,500
DUI arrests	n/a	n/a	n/a	n/a
Fire:				
Calls	n/a	n/a	3,120	3,391
Fire suppression equipment	n/a	n/a	3	3
Public works:				
Centerline miles of paved surface streets maintained	129	135	140	140
Centerline miles of dirt surface streets maintained	n/a	21	21	21
Weed abatement-lots cleaned	890	860	890	552
Community Development:				
Construction permits issued	1,549	1,838	2,361	3,516
Property value per permits (estimated in 000's)	\$ 126,600	\$ 159,346	\$ 153,186	\$ 242,988
New home building permits issued	844	550	766	1,317
Parks and recreation:				
Daily lake use passes sold	35,700	26,550	28,500	26,530

n/a=not available

Fiscal Year					
2006	2007	2008	2009	2010	2011
808	625	100	n/a	444	244
2,376	2,500	5,000	n/a	1,561	1,200
n/a	n/a	n/a	n/a	261	n/a
3,610	3,567	3,778	3,876	4,007	3,950
3	3	3	3	3	3
140	143	155	174	173	173
13	12	10	9	9	9
706	700	581	390	365	470
4,260	2,527	1,604	505	771	829
\$ 462,204	\$ 153,013	\$ 78,680	\$ 21,474	\$ 42,848	\$ 50,899
1,355	450	74	43	211	223
34,835	32,018	36,000	25,230	23,765	19,577

CITY OF LAKE ELSINORE
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	1	2	2	3	3	3	3	3	3	3
Public works:										
Street (miles)	153.3	153.3	153.3	153.3	156	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	12	15	15	15	16	16
Beaches and Recreation										
Facilities	n/a	8	8	8	8	8	8	8	10	10
Libraries	1	1	1	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

