

CITY OF LAKE ELSINORE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE YEAR ENDED JUNE 30, 2010

Prepared By: Department of Administrative Services

CITY OF LAKE ELSINORE, CALIFORNIA

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CITY OF LAKE ELSINORE, CALIFORNIA

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INTRODUCTORY SECTION

February 17, 2011

Honorable Mayor and City Council
Lake Elsinore, California

Submitted for your information and consideration is the June 30, 2010 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, Diehl, Evans & Company, 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
February 17, 2011

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
February 17, 2011

Fund Descriptions

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

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

A description of these funds is included in the "Notes to the Basic 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, certain Special Revenue Funds and certain Capital Project Funds. The level of budgetary control is maintained at the expenditure object level for capital assets. Schedules of acquisitions of capital assets at a cost of \$5,000 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 \$62,604,468 for fiscal year 2009-10. The amount of revenues from various sources is shown in the following tabulation and represents an overall decrease of \$5,136,779 from the 2008-09 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	\$ 33,947,170	54.2%	\$(6,714,944)	(16.5%)
Licenses, permits and fees	2,587,918	4.1%	320,350	14.1%
Intergovernmental revenues	7,322,908	11.7%	3,692,764	101.7%
Charges for services	1,594,774	2.6%	(1,953,639)	(55.1%)
Fines and forfeitures	733,792	1.2%	(203,714)	(21.7%)
Investment income	7,928,611	12.7%	(1,516,488)	(16.1%)
Special assessments	1,578,779	2.5%	96,633	6.5%
Other	6,910,516	11.0%	1,142,259	19.8%
TOTAL	\$ 62,604,468		\$(5,136,779)	(7.6%)

Significant revenue decreases in the Governmental Fund Types occurred in taxes, charges for services and interest income. Taxes, primarily property taxes and sales taxes reflect the significant downturn in the economy that began in 2008. Decreases which occurred in charges for services and investment income are a result of the continued slowing of new development in the current year and the decrease of interest rates for investments.

Expenditures for governmental purposes totaled \$79,916,907 for fiscal year 2009-10. 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	\$ 6,797,320	8.5%	\$ 317,525	4.9%
Public safety	11,022,531	13.8%	(2,116,858)	(16.1%)
Community development	3,049,501	3.8%	(1,612,502)	(34.6%)
Public services	12,901,064	16.1%	698,093	5.7%
Community services	3,313,082	4.2%	(437,185)	(11.7%)
Pass-through payments	7,782,513	9.7%	(1,864,809)	(19.3%)
Set aside suspension	3,750,000	4.7%	3,750,000	-
SERAF payments	6,976,853	8.7%	6,976,853	-
Capital expenditures	4,394,843	5.5%	(33,719,032)	(88.5%)
Refunding bond payment	1,987,745	2.5%	1,987,745	-
Bond issue costs	1,584,965	2.0%	1,584,965	-
Debt service and costs	16,356,490	20.5%	819,975	5.3%
TOTAL	\$ 79,916,907		\$(23,615,230)	(22.8%)

Honorable Mayor and City Council
February 17, 2011

The overall expenditure decrease for the governmental fund types totaled \$23,615,230. Increases in public services (related to special revenue funds), SERAF payment to the County as authorized by the State and the related set aside suspension for the housing fund and debt service are offset by decreases in public safety, community development, community services (park and recreation and lake services), one-time capital project expenditures and pass-through payments.

Other financing sources net of uses is balanced and represents funds transferred for maintenance, capital and debt services.

Cash Management

Cash temporarily idle during the year was invested in time certificates of deposit, 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, 2010.

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

Although the current economic down turn has slowed City growth, the City Council's budgetary and legislative priorities continue to be public safety and transportation.

Honorable Mayor and City Council
February 17, 2011

Public Safety

The City Council has made public safety its number one operating budget priority. The public safety budget decreased \$2,116,858 amounting to -16.1% of the total decrease in the governmental expenditures due to the reduction in tax revenue available.

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. Major projects completed during the year included the State Route 74/ Interstate 15 interim interchange improvements and various improvements and maintenance of City-owned streets.

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 Diehl, Evans & Company, LLP was selected by the City Council and has just finished their third 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
February 17, 2011

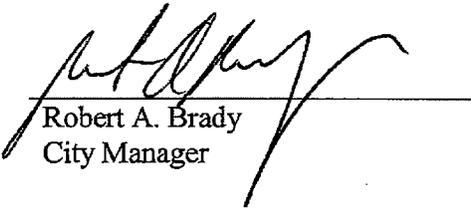
Acknowledgments

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

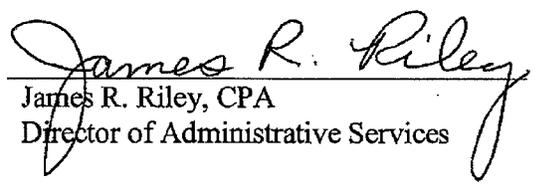
The Mayor, members of the City Council and Management are to be commended for their interest and support in conducting financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

CITY OF LAKE ELSINORE



Robert A. Brady
City Manager



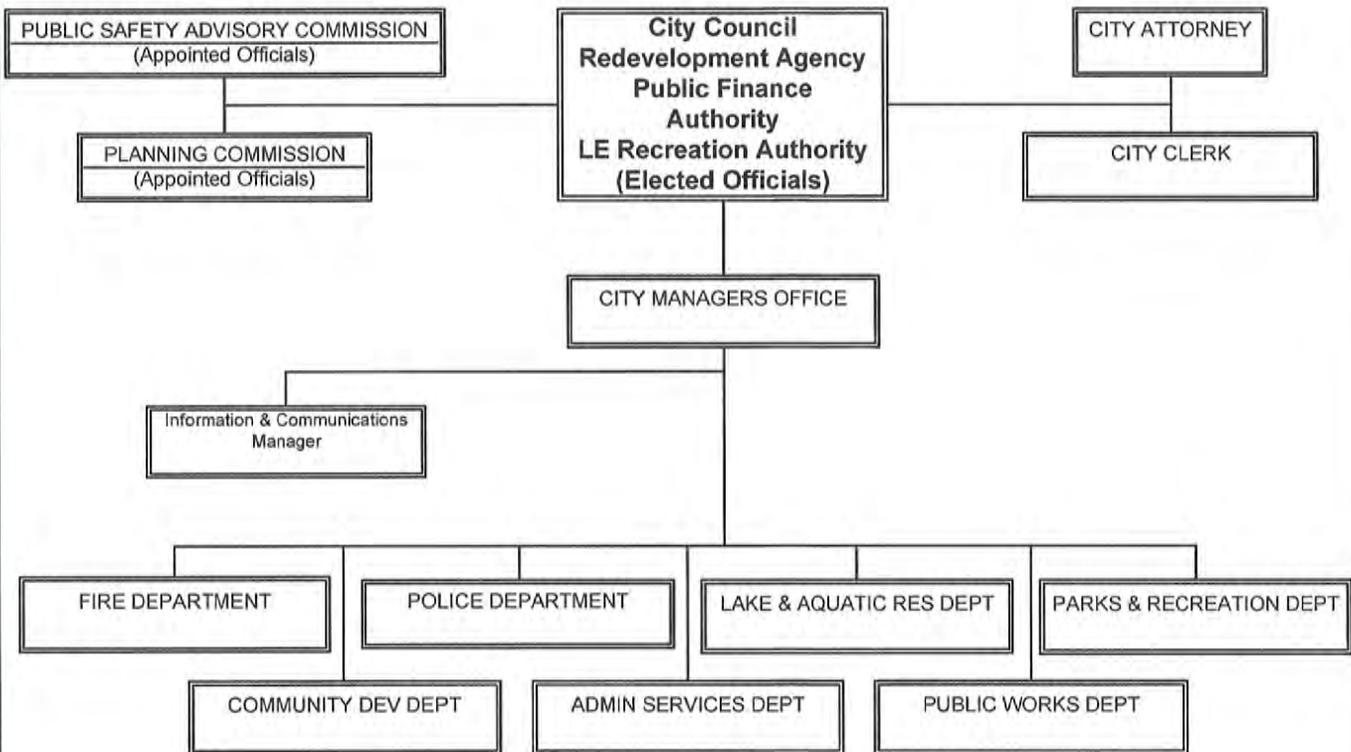
James R. Riley, CPA
Director of Administrative Services



City of Lake Elsinore

2009-2010 Organizational Chart

June 30, 2010



CITY OF LAKE ELSINORE
DIRECTORY OF OFFICIALS*
June 30, 2010

ELECTED OFFICIALS

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

ADMINISTRATION

Robert A. Brady	City Manager
Virginia Bloom	City Clerk
Barbara Liebold	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*

FINANCIAL SECTION



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 WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

February 7, 2011

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, 2010, 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, 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, 2010, 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2011 on our consideration of the City of Lake Elsinore's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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 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 budgetary comparison schedules and related note are 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. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 conducted for the purpose of forming an opinion on the basic financial statements of the City of Lake Elsinore, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

Diery, Evans and Company, LLP

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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 \$160.1 million (*net assets*).
- The government's total net assets decreased by \$7.2 million. The decrease is primarily attributable to significant decreases in property taxes, sales taxes and investment income.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6.3 million or 26.5 percent of total General Fund expenditures. City Council has designated \$5.7 million of the \$6.3 million for future contingencies.
- The City of Lake Elsinore's total debt had a net decrease of \$1.5 million during the current fiscal year. The net decrease includes \$4.3 million of payments on long-term bonds, developer agreements, loans, deferred amounts, insurance premium deposit payable and capital leases. The increases included \$2.8 million for net increase in tax allocation bonds due to refunding, other post employment obligations and compensated absences.

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, 2010

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, 2010

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 - 82 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

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 83 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 89 - 134 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 \$160.1 million at the close of the most recent fiscal year.

Condensed Statements of Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>As Restated 2009</u>
Assets:		
Current and other assets	\$ 150,421,619	\$ 158,466,108
Capital assets	<u>156,708,348</u>	<u>155,645,858</u>
Total Assets	<u>307,129,967</u>	<u>314,111,966</u>
Liabilities:		
Long-term debt outstanding	127,709,799	129,225,454
Other liabilities	<u>19,326,031</u>	<u>17,617,570</u>
Total Liabilities	<u>147,035,830</u>	<u>146,843,024</u>
Net Assets:		
Invested in capital assets, net of related debt	142,968,348	141,550,858
Restricted	110,984,917	122,510,612
Unrestricted	<u>(93,859,128)</u>	<u>(96,792,528)</u>
Total Net Assets	<u>\$ 160,094,137</u>	<u>\$ 167,268,942</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For the City of Lake Elsinore, 89.3% 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 (69.3%) represents resources that are subject to external restrictions on how they may be used. The deficit balance of approximately -\$93.9 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 decreased by \$7.2 million. The decrease is primarily attributable to significant decreases in property taxes, sales taxes and investment income.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statements of Revenues,
Expenses and Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 5,684,978	\$ 7,374,620
Operating grants and contributions	4,561,669	6,482,888
Capital grants and contributions	-	-
General Revenues:		
Taxes:		
Property taxes	25,904,948	31,590,868
Sales taxes	6,236,748	6,414,419
Franchise taxes	1,792,699	1,824,890
Other taxes	519,001	751,794
Fines, forfeitures and penalties	733,792	937,506
Investment income	7,470,635	9,334,141
Miscellaneous	<u>6,661,239</u>	<u>5,768,257</u>
Total Revenues	<u>59,565,709</u>	<u>70,479,383</u>
Expenses:		
General government	10,252,727	10,562,122
Public safety	11,022,531	13,139,389
Community development	15,847,532	31,976,146
Public services	14,812,199	14,123,738
Community services	4,295,719	4,737,856
Interest on long-term debt	<u>10,509,806</u>	<u>10,168,917</u>
Total Expenses	<u>66,740,514</u>	<u>84,708,168</u>
Change in net assets	(7,174,805)	(14,228,785)
Net assets at beginning of year, as restated	<u>167,268,942</u>	<u>181,497,727</u>
Net assets at end of year	<u>\$ 160,094,137</u>	<u>\$ 167,268,942</u>

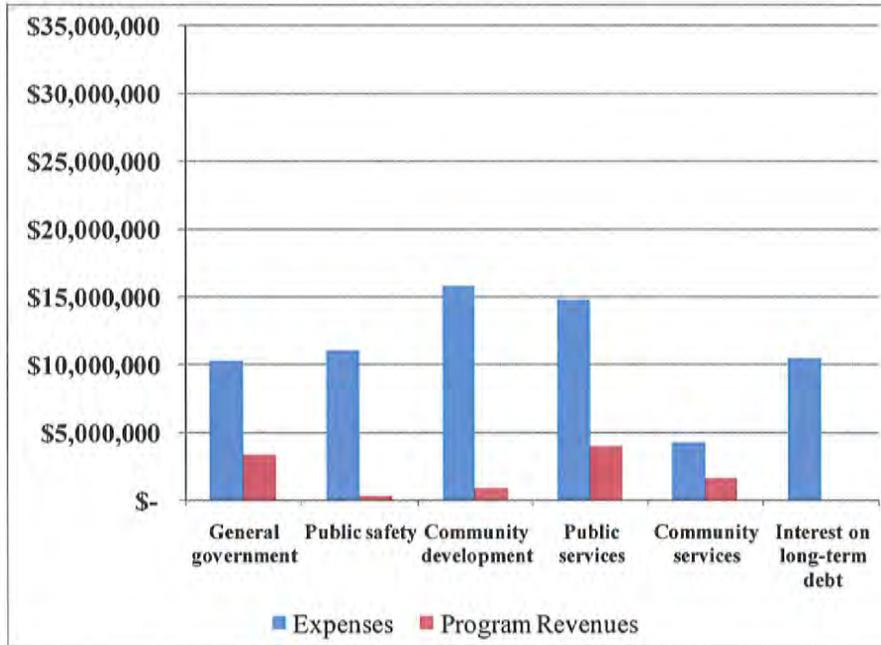
See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

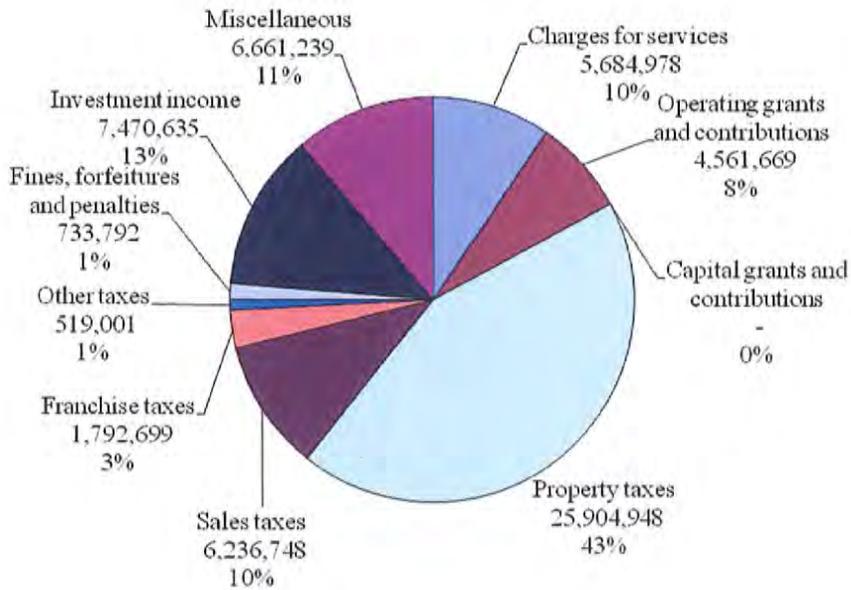
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

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, 2010

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, *unreserved 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 \$160.6 million, a decrease of \$10.2 million in comparison with the prior year. Of the \$160.6 million ending fund balance, a net -\$9.5 million (-\$28.3 million for the Redevelopment Agency Debt Service Funds, offset by \$18.8 million related to all other funds combined) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$65.7 million); 2) to liquidate contracts and purchase orders of the prior period (\$0.7 million); or 3) fund balance reserved for noncurrent assets, such as loans receivable, prepaid expenditures, advances to other funds, land held for resale, specific projects and low and moderate income housing (\$103.6 million).

The General Fund is the chief operating fund of the City of Lake Elsinore. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$ 6.3 million, while total fund balance was \$14.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents 26.5% of total General Fund expenditures, while total fund balance represents 62.4% of that same amount.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The fund balance of the City of Lake Elsinore's General Fund decreased by \$2.4 million during the current fiscal year. Key factors in this decrease are as follows:

- \$.7 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 \$20,000.
- Expenditures were greater than revenue of approximately \$1.8 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget reflects a \$0.2 million net increase in appropriations, including transfers out and can be briefly summarized as follows:

- \$210,032 increase in general government activities
- \$ 11,516 increase for public safety
- \$ 1,406 increase in community development
- \$278,170 increase in public services
- \$ 31,852 decrease to community services
- \$300,000 in decreases in transfers out for one-time capital items.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

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, 2010 amounts to \$156.7 million (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements, machinery and equipment, and infrastructure. The total increase 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:

- Machado Park restroom replacement
- 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	
	2010	2009
Land	\$ 5,352,814	\$ 5,402,814
Construction in progress	14,311,848	10,341,987
Buildings and structures	14,788,395	15,084,524
Improvements other than buildings	3,832,429	3,993,086
Machinery and equipment	737,189	652,556
Furniture and fixtures	88,450	99,642
Automotive equipment	572,474	754,488
Infrastructure	<u>117,024,749</u>	<u>119,316,761</u>
Totals	<u>\$ 156,708,348</u>	<u>\$ 155,645,858</u>

Additional information on the City of Lake Elsinore's capital assets can be found in note 3 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At year-end, the City has a number of debt issues outstanding. These issues include \$53.7 million of local agency revenue bonds, \$54.5 million of tax allocation bonds, \$13.7 million of revenue refunding bonds, \$2.7 million of disposition and development agreements debt, \$0.6 million of owner participation agreement debt, \$0.3 million of loans payable, \$0.5 million in insurance premium deposit payable and \$2.1 in OPEB obligation.

Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Local agency revenue bonds	\$ 53,725,000	\$ 56,475,000
Tax allocation bonds	54,545,000	52,785,000
Deferred amounts	(1,063,668)	(86,128)
Revenue refunding bonds	13,740,000	14,095,000
Disposition and development agreements	2,739,986	2,807,940
Owner participation agreements	523,588	633,101
Loans payable	256,720	307,542
Capital leases	-	20,316
Insurance premium deposit payable	518,521	537,869
Other post-employment benefit obligation	2,086,786	1,048,397
Compensated absences	<u>637,866</u>	<u>601,417</u>
Totals	<u>\$ 127,709,799</u>	<u>\$ 129,225,454</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, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes are estimated to continue to decrease due primarily to declines in property value related to reassessments, corrections and appeals. The increase in foreclosures has also significantly impacted property tax revenue.
- The retail sales trends have increased slightly and the projections are expected to continue to increase slowly during the next year.
- Investment earnings are estimated to remain low due to declining interest rates.

These factors were considered in preparing the City of Lake Elsinore's budget for fiscal year 2010-11.

REQUEST FOR INFORMATION

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

See independent auditors' report.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments (Note 2)	\$ 62,700,797
Accounts receivable	700,319
Accrued interest receivable	1,307,227
Due from other governments	8,116,755
Prepaid and other assets	875,343
Land held for resale (Note 4)	8,803,167
Deferred charges	4,406,136
Restricted assets (Note 2):	
Cash and investments with fiscal agents	63,511,875
Capital assets, not depreciated (Note 3)	19,664,662
Capital assets, depreciated, net (Note 3)	<u>137,043,686</u>
 TOTAL ASSETS	 <u>307,129,967</u>
LIABILITIES:	
Accounts payable	8,237,430
Accrued liabilities	171,258
Other payroll liabilities	14,850
Deposits and other liabilities	7,919
Due to other governments	7,253,502
Interest payable	1,683,952
Unearned revenue	1,957,120
Noncurrent liabilities (Note 6):	
Due within one year	7,103,749
Due in more than one year	<u>120,606,050</u>
 TOTAL LIABILITIES	 <u>147,035,830</u>
NET ASSETS:	
Invested in capital assets, net of related debt	142,968,348
Restricted for:	
Debt service	35,637,418
Specific programs	61,086,907
Specific capital projects	14,260,592
Unrestricted (deficit)	<u>(93,859,128)</u>
 TOTAL NET ASSETS	 <u>\$ 160,094,137</u>

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

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF ACTIVITIES

June 30, 2010

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	\$ 10,252,727	\$ 3,181,706	\$ 195,454	\$ -	\$ (6,875,567)
Public safety	11,022,531	-	347,129	-	(10,675,402)
Community development	15,847,532	924,493	-	-	(14,923,039)
Public services	14,812,199	-	4,019,086	-	(10,793,113)
Community services	4,295,719	1,578,779	-	-	(2,716,940)
Interest on long-term debt	10,509,806	-	-	-	(10,509,806)
Total governmental activities	\$ 66,740,514	\$ 5,684,978	\$ 4,561,669	\$ -	(56,493,867)

General revenues:

Taxes:

Property taxes	25,904,948
Sales taxes	6,236,748
Franchise taxes	1,792,699
Other taxes	519,001
Fines, forfeitures and penalties	733,792
Investment income	7,470,635
Miscellaneous	6,661,239

Total general revenues 49,319,062

Change in net assets (7,174,805)

NET ASSETS - BEGINNING OF YEAR,
AS RESTATED (NOTE 14) 167,268,942

NET ASSETS - END OF YEAR \$ 160,094,137

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

CITY OF LAKE ELSINORE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2010

ASSETS	General Fund	Redevelopment Agency Special Revenue Fund	Debt Service Funds	
			Redevelopment Agency	Public Financing Authority
Cash and investments	6,052,485	12,393,459	\$ 23,103,587	\$ 397,692
Cash and investments with fiscal agents	-	1,461,936	3,325,656	57,444,803
Accounts receivable	609,679	-	-	-
Accrued interest receivable	3,099	27,918	21,312	449
Loans receivable (Note 5)	-	-	-	54,545,000
Due from other funds (Note 12)	1,689,634	-	4,809,388	-
Due from other governments	2,432,663	64,763	31,798	3,111,521
Advances to other funds (Notes 8 and 12)	7,671,235	37,401,756	-	-
Prepaid and other assets	769,235	-	106,108	-
Land held for resale	-	2,714,687	-	-
TOTAL ASSETS	\$ 19,228,030	\$ 54,064,519	\$ 31,397,849	\$ 115,499,465
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,241,502	\$ 382,303	\$ 3,520,810	\$ -
Accrued liabilities	157,318	-	-	-
Other payroll liabilities	14,850	-	-	-
Deposits and other liabilities	6,219	-	-	-
Due to other funds (Note 12)	-	-	1,292,885	5,515
Due to other governments	877,342	-	6,376,160	-
Advances from other funds (Notes 8 and 12)	-	-	45,072,991	-
Deferred revenue	13,480	19,361,317	-	-
TOTAL LIABILITIES	4,310,711	19,743,620	56,262,846	5,515
FUND BALANCES (DEFICIT):				
Reserved (Note 13):				
Debt service	-	1,461,936	3,325,656	60,948,950
Encumbrances	23,379	-	-	-
Specific projects	129,669	-	-	-
Loans receivable	-	-	-	54,545,000
Advances to other funds	7,671,235	18,040,439	-	-
Low and moderate income housing	-	12,103,837	-	-
Prepaid and other assets	769,235	-	106,108	-
Land held for resale	-	2,714,687	-	-
Capital placement	-	-	-	-
Unreserved, Reported in:				
General fund	6,323,801	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	(28,296,761)	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	14,917,319	34,320,899	(24,864,997)	115,493,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,228,030	\$ 54,064,519	\$ 31,397,849	\$ 115,499,465

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

Other Governmental Funds	Total Governmental Funds
\$ 20,753,574	\$ 62,700,797
1,279,480	63,511,875
90,640	700,319
11,213	63,991
-	54,545,000
45,595	6,544,617
1,583,258	7,224,003
-	45,072,991
-	875,343
6,088,480	8,803,167
<u>\$ 29,852,240</u>	<u>\$ 250,042,103</u>

\$ 1,092,815	\$ 8,237,430
13,940	171,258
-	14,850
1,700	7,919
5,246,217	6,544,617
-	7,253,502
-	45,072,991
2,783,294	22,158,091
<u>9,137,966</u>	<u>89,460,658</u>

3,065	65,739,607
704,910	728,289
1,412,476	1,542,145
-	54,545,000
-	25,711,674
-	12,103,837
-	875,343
6,088,480	8,803,167
18,000	18,000
-	6,323,801
6,999,090	6,999,090
(8,884)	(28,305,645)
5,497,137	5,497,137
<u>20,714,274</u>	<u>160,581,445</u>

<u>\$ 29,852,240</u>	<u>\$ 250,042,103</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, 2010

Fund balances for governmental funds		\$ 160,581,445
<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.		(54,545,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		156,708,348
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	\$ 4,406,136	
Deferred amount on refunding	1,118,769	
Bond discount	164,120	
Bond premium	(219,221)	
Interest payable	(1,683,952)	
Long-term liabilities	<u>(128,773,467)</u>	(124,987,615)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements		
Interest receivable	\$ 1,243,236	
Due from other governments	<u>1,732,406</u>	2,975,642
Interest on interfund loans and other receivables 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.		
Balance at June 30, 2010 totaled:		<u>19,361,317</u>
Net assets of governmental activities		<u><u>\$ 160,094,137</u></u>

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

CITY OF LAKE ELSINORE, CALIFORNIA

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

For the year ended June 30, 2010

REVENUES:	General Fund	Redevelopment	Debt Service Funds	
		Agency Special Revenue Fund	Redevelopment Agency	Public Financing Authority
Property taxes	\$ 5,552,290	\$ 225,411	\$ 19,651,643	\$ -
Other taxes	8,517,826	-	-	-
Licenses, permits and fees	1,663,425	-	-	-
Intergovernmental revenues	195,454	-	-	-
Charges for services	1,594,774	-	-	-
Fines, forfeitures and penalties	432,663	-	-	-
Investment income	310,722	133,564	120,876	6,931,548
Special assessments	-	-	-	-
Miscellaneous	3,844,090	717,727	2,159	-
TOTAL REVENUES	22,111,244	1,076,702	19,774,678	6,931,548
EXPENDITURES:				
Current:				
General government	5,721,152	-	-	7,112
Public safety	11,022,531	-	-	-
Community development	1,814,893	-	1,234,608	-
Public services	2,006,185	-	-	-
Community services	3,313,082	-	-	-
Pass-through payments	-	-	7,782,513	-
Set aside suspension	-	-	3,750,000	-
SERAF payments	-	-	6,976,853	-
Capital outlay	-	1,030,615	-	-
Debt service:				
Payment to refunding bond escrow agent	-	1,295,449	692,296	-
Bond issuance costs	-	878,354	706,611	-
Principal retirement	20,316	440,450	1,177,004	4,045,000
Interest and fiscal charges	400	731,062	2,924,884	6,626,786
TOTAL EXPENDITURES	23,898,559	4,375,930	25,244,769	10,678,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,787,315)	(3,299,228)	(5,470,091)	(3,747,350)
OTHER FINANCING SOURCES (USES):				
Discount on bonds	-	(119,642)	(47,143)	-
Refunding bonds issued	-	15,655,000	10,635,000	-
Payment to refunding bond escrow agent	-	(13,228,136)	(8,854,512)	-
Loans issued	-	-	-	26,290,000
Loan payments	-	-	-	(23,235,000)
Transfers in	20,000	-	-	-
Transfers out	(658,298)	-	(2,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(638,298)	2,307,222	(266,655)	3,055,000
NET CHANGE IN FUND BALANCES	(2,425,613)	(992,006)	(5,736,746)	(692,350)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR AS RESTATED				
	17,342,932	35,312,905	(19,128,251)	116,186,300
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 14,917,319	\$ 34,320,899	\$ (24,864,997)	\$ 115,493,950

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 25,429,344
-	8,517,826
924,493	2,587,918
7,127,454	7,322,908
-	1,594,774
301,129	733,792
431,901	7,928,611
1,578,779	1,578,779
2,346,540	6,910,516
<u>12,710,296</u>	<u>62,604,468</u>
1,069,056	6,797,320
-	11,022,531
-	3,049,501
10,894,879	12,901,064
-	3,313,082
-	7,782,513
-	3,750,000
-	6,976,853
3,364,228	4,394,843
-	1,987,745
-	1,584,965
355,000	6,037,770
35,588	10,318,720
<u>15,718,751</u>	<u>79,916,907</u>
<u>(3,008,455)</u>	<u>(17,312,439)</u>
-	(166,785)
-	26,290,000
-	(22,082,648)
-	26,290,000
-	(23,235,000)
4,480,694	4,500,694
<u>(1,842,396)</u>	<u>(4,500,694)</u>
<u>2,638,298</u>	<u>7,095,567</u>
(370,157)	(10,216,872)
<u>21,084,431</u>	<u>170,798,317</u>
<u>\$ 20,714,274</u>	<u>\$ 160,581,445</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, 2010

Net change in fund balances - total governmental funds \$ (10,216,872)

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	\$ 6,356,178	
Depreciation expense	<u>(5,293,688)</u>	1,062,490

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

Long-term debt principal payments	\$ 6,037,770	
Principal amount added on note payable	(94,166)	
Refunding bonds issued	(26,290,000)	
Payment to refunding bond escrow agent	24,070,393	
Issuance costs	1,584,965	
Loans issued	(26,290,000)	
Loan payments	23,235,000	
Discount on bonds	<u>166,785</u>	2,420,747

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	\$ (191,734)	
Amortization bond premium	21,922	
Amortization of deferred amount on refunding	(43,895)	
Amortization of bond discount	(2,665)	
Interest and fiscal charges	119,452	
Insurance premium deposit payable	19,348	
Other post-employment benefit obligation	(1,038,389)	
Compensated absences	<u>(36,449)</u>	(1,152,410)

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	\$ (457,976)	
Taxes and intergovernmental revenue	1,494,988	
Licenses, permits, fees and other revenue	<u>(325,772)</u>	711,240

Change in net assets of governmental activities \$ (7,174,805)

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, 2010

ASSETS	
Cash and investments	\$ 3,291,362
Cash and investments with fiscal agents	37,697,610
Accounts receivable	24,598
Interest receivable	99,095
Due from other governments	<u>1,459,262</u>
TOTAL ASSETS	<u>\$ 42,571,927</u>
LIABILITIES	
Accounts payable	\$ 20,860
Deposits and other liabilities	2,983,240
Due to other governments	4,685,615
Due to bondholders	<u>34,882,212</u>
TOTAL LIABILITIES	<u>\$ 42,571,927</u>

See independent auditors' report and notes to basic financial statements

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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). In accordance with GASB Statement No. 14, 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, 2010 year end. The following is a brief review of each component unit included in the primary government's reporting entity.

See independent auditors' report.

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

June 30, 2010

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 a special revenue fund, 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, 2010

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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 offset by fund balance reserve accounts.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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.

All government-wide activities of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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.

See independent auditors' report.

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

June 30, 2010

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

D. Fund Classifications (Continued):

Major Governmental Funds (Continued):

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.

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 City Council resolution 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 \$160,581,445 differs from "net assets" of governmental activities \$160,094,317 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>\$ (54,545,000)</u>
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See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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>\$ 156,708,348</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	\$ 4,597,870
Amortization	<u>(191,734)</u>

Unamortized bond issuance costs	<u>\$ 4,406,136</u>
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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	\$ (1,683,952)
Long-term liabilities	(128,773,467)
Deferred amounts on refunding	1,118,769
Bond premium	(219,221)
Bond discount	<u>164,120</u>

Long-term debt transactions	<u>\$ (129,393,751)</u>
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See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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	\$ 1,243,236
Due from other governments	<u>1,732,406</u>
Long-term receivables	<u>\$ 2,975,642</u>

Interest and Other Receivables

Interest on interfund loans and other receivables 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.

Interest on interfund loans and other receivables	<u>\$ 19,361,317</u>
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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, 2010

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 \$(10,216,872) differs from the “change in net assets” for governmental activities \$(7,174,805) 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	\$ 6,356,178
Depreciation expense	<u>(5,293,688)</u>
	<u>\$ 1,062,490</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, including interfund loans	\$ 6,037,770
Refunding bonds issued	(26,290,000)
Principal added on note payable	(94,166)
Payment to refunding bond escrow agent	24,070,393
Issuance costs	1,584,965
Loans issued	(26,290,000)
Loan payments	23,235,000
Discount on bonds	<u>166,785</u>
Long-term debt transactions	<u>\$ 2,420,747</u>

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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>(191,734)</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>(2,665)</u>
	\$ <u>19,257</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>119,452</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>(43,895)</u>
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See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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	\$ 19,348
Other post-employment benefit obligation	(1,038,389)
Compensated absences	<u>(36,449)</u>
	<u>\$ (1,055,490)</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>\$ (274,241)</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>\$ (183,735)</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>\$ 1,169,216</u>
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See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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 a reservation of 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, 2010 was \$637,866.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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.

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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

L. Capital Assets (Continued):

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

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

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

M. Property Tax Revenue:

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

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

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

See independent auditors' report.

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

June 30, 2010

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

N. Use of Estimates:

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

See independent auditors' report.

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

June 30, 2010

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2010 are classified in the accompanying financial statements as follows:

	<u>Government- Wide Statement of Net Assets</u>	<u>Fiduciary Fund Statement of Net Assets</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 62,700,797	\$ 3,291,362	\$ 65,992,159
Restricted assets:			
Cash and investments with fiscal agents	<u>63,511,875</u>	<u>37,697,610</u>	<u>101,209,485</u>
Total Cash and Investments	<u>\$ 126,212,672</u>	<u>\$ 40,988,972</u>	<u>\$ 167,201,644</u>

Cash and investments at June 30, 2010 consisted of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	1,019,271
Investments	<u>166,181,073</u>
Total Cash and Investments	<u>\$ 167,201,644</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.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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 Enterprise Securities	5 years	None	40%
Banker's Acceptances	180 days	40%	10%
Time Certificate of Deposits	5 years	25%	None
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	2%	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 40,000,000

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 Enterprise 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.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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	\$ 53,362,935	\$ -	\$ -	\$ -	\$ 53,362,935
Local Obligation Bonds	2,114,591	2,325,676	8,686,172	38,316,558	51,442,997
Corporate Notes	-	1,051,860	3,217,970	-	4,269,830
United States Government Sponsored Enterprise Securities	-	-	7,027,634	-	7,027,634
United States Treasury Notes	-	-	37,023	2,636,587	2,673,610
Mutual Funds	47,404,067	-	-	-	47,404,067
	<u>\$102,881,593</u>	<u>\$ 3,377,536</u>	<u>\$ 18,968,799</u>	<u>\$ 40,953,145</u>	<u>\$166,181,073</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.

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

June 30, 2010

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.

<u>Investment Type</u>	<u>Total as of June 30, 2010</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>AA</u>	<u>Unrated</u>	<u>Not Required to be Rated</u>
Local Agency						
Investment Fund	\$ 53,362,935	N/A	\$ -	\$ -	\$ 53,362,935	\$ -
Local Obligation Bonds	51,442,997	N/A	-	-	51,442,997	-
Corporate Notes	4,269,830	AA	-	4,269,830	-	-
United States						
Government Sponsored						
Enterprise Securities	7,027,634	N/A	7,027,634	-	-	-
United States						
Treasury Notes	2,673,610	N/A	-	-	-	2,673,610
Mutual Funds	<u>47,404,067</u>	A	<u>47,404,067</u>	-	-	-
Total	<u>\$ 166,181,073</u>		<u>\$ 54,431,701</u>	<u>\$ 4,269,830</u>	<u>\$ 104,805,932</u>	<u>\$ 2,673,610</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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 Agency Bond	\$ 21,485,000
Community Facilities District 98-1 Bonds	Local Agency Bond	17,605,000

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, 2010, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California Law.

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

June 30, 2010

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.

Cash and Investment by Entity:

Cash and investments held by entity at June 30, 2010 are as follows:

	City of Lake Elsinore	Redevelopment Agency	Public Financing Authority	Recreation Authority	Total
Deposits at carrying amount (1)	\$ 617,457	\$ 327,283	\$ 74,531	\$ -	\$ 1,019,271
Petty cash and change drawer	1,300	-	-	-	1,300
Local Agency Investment Fund	17,548,427	35,491,347	323,161	-	53,362,935
Local Obligation Bonds	-	-	51,442,997	-	51,442,997
Corporate Notes	4,269,830	-	-	-	4,269,830
United States Government					
Sponsored Enterprise Securities	7,027,634	-	-	-	7,027,634
United States Treasury Notes	2,673,610	-	-	-	2,673,610
Mutual Funds	<u>32,124,211</u>	<u>9,274,985</u>	<u>6,001,806</u>	<u>3,065</u>	<u>47,404,067</u>
 Total Cash and Investments	 <u>\$ 64,262,469</u>	 <u>\$ 45,093,615</u>	 <u>\$ 57,842,495</u>	 <u>\$ 3,065</u>	 <u>\$167,201,644</u>

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

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

3. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2010 is as follows:

	<u>Balance at</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 5,402,814	\$ -	\$ (50,000)	\$ 5,352,814
Construction in progress	<u>10,341,987</u>	<u>4,856,554</u>	<u>(886,693)</u>	<u>14,311,848</u>
Total capital assets, not being depreciated	<u>15,744,801</u>	<u>4,856,554</u>	<u>(936,693)</u>	<u>19,664,662</u>
Capital assets, being depreciated:				
Building and structures	22,916,333	197,309	-	23,113,642
Improvements other than buildings	8,102,805	87,625	-	8,190,430
Machinery and equipment	3,149,567	191,935	-	3,341,502
Furniture and fixtures	593,616	26,198	-	619,814
Automotive equipment	1,992,821	9,182	-	2,002,003
Infrastructure	<u>172,942,527</u>	<u>1,924,068</u>	<u>-</u>	<u>174,866,595</u>
Total capital assets being depreciated	<u>209,697,669</u>	<u>2,436,317</u>	<u>-</u>	<u>212,133,986</u>
Less accumulated depreciation for:				
Building and structures	(7,831,809)	(493,438)	-	(8,325,247)
Improvements other than buildings	(4,109,719)	(248,282)	-	(4,358,001)
Machinery and equipment	(2,497,011)	(107,302)	-	(2,604,313)
Furniture and fixtures	(493,974)	(37,390)	-	(531,364)
Automotive equipment	(1,238,333)	(191,196)	-	(1,429,529)
Infrastructure	<u>(53,625,766)</u>	<u>(4,216,080)</u>	<u>-</u>	<u>(57,841,846)</u>
Total accumulated depreciation	<u>(69,796,612)</u>	<u>(5,293,688)</u>	<u>-</u>	<u>(75,090,300)</u>
Total capital assets being depreciated, net	<u>139,901,057</u>	<u>(2,857,371)</u>	<u>-</u>	<u>137,043,686</u>
Total Governmental Activities capital assets, net	<u>\$ 155,645,858</u>	<u>\$ 1,999,183</u>	<u>\$ (936,693)</u>	<u>\$ 156,708,348</u>

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

Governmental Activities:	
General government	\$ 2,399,916
Public services	1,911,135
Community services	<u>982,637</u>
Total depreciation expense	<u>\$ 5,293,688</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

4. 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, 2010, the balance of land held for resale totaled \$8,803,167, with this amount offset by a reservation of fund balance in the Governmental Fund Balance Sheet.

5. LOANS RECEIVABLE:

The Authority has entered into loan agreements with the Agency whereby the Authority loaned the proceeds of the 1999 Series A Tax Allocation Revenue Bonds and the 2010 Series A and B Tax Allocation Revenue 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, 2010:

<u>Tax Allocation Revenue Bonds</u>	<u>Principal</u>	<u>Loans Receivable Balance</u>
1999 Series A Issue	\$ 28,255,000	\$ 28,255,000
2010 Series A Issue	15,435,000	15,435,000
2010 Series B Issue	<u>10,855,000</u>	<u>10,855,000</u>
Total	<u>\$ 54,545,000</u>	<u>\$ 54,545,000</u>

These loans are recorded as a receivable offset by a reservation of 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 6).

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

June 30, 2010

6. 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
Tax Allocation				
Revenue Bonds:				
1999 Series A	2/99	2000-2030	5.00% - 5.50%	33,450,000
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
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
Capital Lease Obligations:				
Vehicles and equipment	4/05	2005-2010	7.75%	129,366

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

	Outstanding June 30, 2009	Additions	Retirements	Outstanding June 30, 2010	Due Within One Year
Local Agency Revenue Bonds:					
1996 Series E	\$ 1,430,000	\$ -	\$ (40,000)	\$ 1,390,000	\$ 45,000
1999 Series G	1,910,000	-	(230,000)	1,680,000	240,000
2003 Series H	28,720,000	-	(670,000)	28,050,000	760,000
2008 Series A	21,150,000	-	(1,810,000)	19,340,000	1,255,000
2008 Series B	3,265,000	-	-	3,265,000	-
Tax Allocation Revenue Bonds:					
1995 Series A	10,445,000	-	(10,445,000)	-	-
1999 Series A	28,895,000	-	(640,000)	28,255,000	760,000
1999 Series B	80,000	-	(80,000)	-	-
1999 Series C	13,365,000	-	(13,365,000)	-	-
2010 Series A	-	15,435,000	-	15,435,000	680,000
2010 Series B	-	10,855,000	-	10,855,000	515,000
	<u>109,260,000</u>	<u>26,290,000</u>	<u>(27,280,000)</u>	<u>108,270,000</u>	<u>4,255,000</u>
Add (less) deferred amounts:					
Bond premium	241,143	-	(21,922)	219,221	-
On refunding	(327,271)	(835,393)	43,895	(1,118,769)	-
Discount on bonds	-	(166,785)	2,665	(164,120)	-
	<u>109,173,872</u>	<u>25,287,822</u>	<u>(27,255,362)</u>	<u>107,206,332</u>	<u>4,255,000</u>
Revenue Refunding Bonds:					
2000 Series A	14,095,000	-	(355,000)	13,740,000	375,000
Developer Agreements:					
Wal-Mart Stores, Inc.	607,214	-	(162,120)	445,094	162,120
Oak Grove Equities	2,200,726	94,166	-	2,294,892	-
Outlet Center	633,101	-	(109,513)	523,588	109,513
Loan Payable:					
EVMWD Amber Ridge	307,542	-	(50,822)	256,720	51,543
Capital Lease Obligations:					
Vehicles and equipment	20,316	-	(20,316)	-	-
Insurance premium deposit payable	537,869	-	(19,348)	518,521	-
Other post-employment benefit obligation (Note 17)	1,048,397	1,356,199	(317,810)	2,086,786	2,086,786
Compensated absences	<u>601,417</u>	<u>36,449</u>	<u>-</u>	<u>637,866</u>	<u>63,787</u>
	<u>\$ 129,225,454</u>	<u>\$ 26,774,636</u>	<u>\$(28,290,291)</u>	<u>\$ 127,709,799</u>	<u>\$ 7,103,749</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. 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, 2010, the Authority has a cash reserve balance for debt service of \$149,877, which is sufficient to cover the Bond Indenture Reserve Requirement of \$149,877.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 45,000	\$ 102,225	\$ 147,225
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 - 2020	355,000	363,562	718,562
2021 - 2025	520,000	200,625	720,625
2026 - 2027	260,000	19,875	279,875
Totals	<u>\$ 1,390,000</u>	<u>\$ 1,060,050</u>	<u>\$ 2,450,050</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. 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, 2010, the Agency has a cash reserve balance for debt service of \$168,002, which is sufficient to cover the Bond Indenture Reserve Requirement of \$168,000.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 240,000	\$ 90,480	\$ 330,480
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	<u>320,000</u>	<u>9,280</u>	<u>329,280</u>
Totals	<u>\$ 1,680,000</u>	<u>\$ 308,560</u>	<u>\$ 1,988,560</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. 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, 2010, the Authority has a cash reserve balance for debt service of \$2,674,419, which is sufficient to cover the Bond Indenture Reserve Requirement of \$2,674,419.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 760,000	\$ 1,668,156	\$ 2,428,156
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 - 2020	6,775,000	6,267,469	13,042,469
2021 - 2025	4,500,000	4,407,650	8,907,650
2026 - 2030	5,475,000	3,018,538	8,493,538
2031 - 2034	<u>6,535,000</u>	<u>877,678</u>	<u>7,412,678</u>
Totals	<u>\$ 28,050,000</u>	<u>\$ 22,455,747</u>	<u>\$ 50,505,747</u>

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

June 30, 2010

6. 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, 2010, the Authority has a cash reserve balance for debt service of \$1,114,776, which is sufficient to cover the Bond Indenture Reserve Requirement of \$967,000.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,255,000	\$ 737,747	\$ 1,992,747
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 -2020	9,765,000	1,530,235	11,295,235
2021	<u>2,420,000</u>	<u>48,400</u>	<u>2,468,400</u>
Totals	<u>\$ 19,340,000</u>	<u>\$ 4,767,385</u>	<u>\$ 24,107,385</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. 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, 2008 through September 1, 2038; interest at 4.5% to 6.875%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2008 at specified redemption prices. At June 30, 2010, 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
2011	\$ -	\$ 220,486	\$ 220,486
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 -2020	175,000	1,076,294	1,251,294
2021 - 2025	375,000	993,987	1,368,987
2026 - 2030	680,000	814,344	1,494,344
2031 - 2035	965,000	531,953	1,496,953
2036 - 2039	<u>1,040,000</u>	<u>148,843</u>	<u>1,188,843</u>
Totals	<u>\$ 3,265,000</u>	<u>\$ 4,666,222</u>	<u>\$ 7,931,222</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

B. Tax Allocation Revenue Bonds:

1995 Series A

In December 1995, \$13,345,000 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 \$235,000 to \$925,000 from September 1, 1999 through September 1, 2025; interest at 4.30% to 5.80%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 1999, at specified redemption prices.

The 1995 Series A Tax Allocation Revenue Bonds were refunded by the 2010 Series B Tax Allocation Revenue Bonds in April 2010.

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. At June 30, 2010, the Agency has a cash reserve balance for debt service of \$2,302,769, which is sufficient to cover the Bond Indenture Reserve Requirement of \$2,302,750.

Future debt requirements for the 1999 Series A Tax Allocation Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 760,000	\$ 1,519,738	\$ 2,279,738
2012	800,000	1,479,567	2,279,567
2013	840,000	1,437,337	2,277,337
2014	880,000	1,393,048	2,273,048
2015	925,000	1,346,569	2,271,569
2019 - 2020	5,455,000	5,895,587	11,350,587
2021 - 2025	7,120,000	4,176,700	11,296,700
2026 - 2030	9,300,000	1,931,600	11,231,600
2031	2,175,000	59,813	2,234,813
Totals	<u>\$ 28,255,000</u>	<u>\$ 19,239,959</u>	<u>\$ 47,494,959</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

B. Tax Allocation Revenue Bonds (Continued):

1999 Series B

In February 1999, \$580,000 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 \$40,000 to \$80,000 from September 1, 2000 through September 1, 2009; interest at 7.25%. The bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2000, at specified redemption prices. The 1999 Series B bonds are covered by the 1999 Series A bonds cash reserve balance for debt service. The final loan payment was made in fiscal year 2009-2010.

1999 Series C

In October 1999, \$14,180,000 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 \$145,000 to \$1,440,000 from October 1, 2004 through October 1, 2033; interest at 6.70%. The 1999 Series C Tax Allocation Revenue Bonds were refunded by the 2010 Series A Tax Allocation Revenue Bonds in February 2010.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

B. Tax Allocation Revenue Bonds (Continued):

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, 2010, the Agency has a cash reserve balance for debt service of \$1,471,930, 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
2011	\$ 680,000	\$ 749,389	\$ 1,429,389
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
2019 - 2020	1,770,000	3,148,081	4,918,081
2021 - 2025	2,130,000	2,775,347	4,905,347
2026 - 2030	2,695,000	2,179,669	4,874,669
2031 - 2033	<u>6,905,000</u>	<u>777,131</u>	<u>7,682,131</u>
Totals	<u>\$ 15,435,000</u>	<u>\$ 12,325,292</u>	<u>\$ 27,760,292</u>

See independent auditors' report.

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

June 30, 2010

6. 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, 2010, the Agency has a cash reserve balance for debt service of \$939,541, 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
2011	\$ 515,000	\$ 325,386	\$ 840,386
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
2019 - 2020	3,245,000	1,387,363	4,632,363
2021 - 2025	3,930,000	671,444	4,601,444
2026	<u>895,000</u>	<u>21,256</u>	<u>916,256</u>
Totals	<u>\$ 10,855,000</u>	<u>\$ 3,851,974</u>	<u>\$ 14,706,974</u>

See independent auditors' report.

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

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

C. 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
2011	\$ 375,000	\$ 27,480	\$ 402,480
2012	390,000	26,730	416,730
2013	410,000	25,950	435,950
2014	430,000	25,130	455,130
2015	450,000	24,270	474,270
2016 - 2020	2,565,000	107,040	2,672,040
2021 - 2025	3,210,000	78,930	3,288,930
2026 - 2030	4,030,000	43,700	4,073,700
2031 - 2032	<u>1,880,000</u>	<u>5,680</u>	<u>1,885,680</u>
Totals	<u>\$ 13,740,000</u>	<u>\$ 364,910</u>	<u>\$ 14,104,910</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, 2010 of 0.20% 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, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

D. 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, 2010, the Agency owes \$445,094 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, 2010, the Agency owes \$2,294,892 to Oak Grove Equities which has been included in the long-term obligations.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

D. 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, 2010, the Agency owes \$523,588 which has been included in the long-term obligations.

E. 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
2011	\$ 51,543	\$ 9,197	\$ 60,740
2012	53,436	7,304	60,740
2013	55,412	5,328	60,740
2014	57,473	3,267	60,740
2015	<u>38,856</u>	<u>1,112</u>	<u>39,968</u>
Totals	<u>\$ 256,720</u>	<u>\$ 26,208</u>	<u>\$ 282,928</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

6. LONG-TERM LIABILITIES (CONTINUED):

E. Insurance Premium Deposit Payable:

The City has a liability to the California Joint Powers Insurance Authority (Insurance Authority) for retrospective deposit liabilities in the amount of \$518,521 at June 30, 2010. The liabilities are payable in annual installments and reported as a liability of the governmental activities.

F. 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.

G. Compensated Absences:

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

7. 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, 2010, loan agreements between the Agency and Authority totaled \$54,545,000 based on 1999 Series A Tax Allocation Revenue Bonds and 2010 Series A and Series B Tax Allocation Revenue Bonds as described below. Since these loans are interfund activities, they are excluded from the long-term liabilities schedule on Note 6 and on the Statement of Net Assets.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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

1995 Series A

In December 1995, \$13,345,000 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 redeem \$8,385,000 1995 Series A loan and a portion of the \$9,600,000 1993 Series A loan from the Authority. The bonds were refunded by the 2010 Series A Tax Allocation Bonds in April 2010.

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 loan balance at June 30, 2010 is \$28,255,000. At June 30, 2010, the Agency has a cash reserve fund balance for debt service of \$2,302,769, which is sufficient to cover the Bond Indenture Reserve Requirement of \$2,302,750.

1999 Series B

In February 1999, \$580,000 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 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 Area II. The final loan payment was made in fiscal year 2009-2010.

1999 Series C

In October 1999, \$14,180,000 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. The proceeds of the loan were used to advance refund \$12,578,000 of outstanding 1993 Tax Allocation Revenue Notes Series A, 1995 Tax Allocation Revenue Bonds Series B and to provide funds for the acquisition and construction of certain public improvements within the Rancho Laguna Redevelopment Project Areas I, II and III. In February 2010, the bonds were refunded by the 2010 Series A Tax Allocation Revenue Bonds.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

7. 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, 2010 is \$15,435,000. At June 30, 2010, the Agency has a cash reserve balance for debt service of \$1,471,930 which is sufficient to cover the Bond Indenture Reserve Requirement.

The advance refunding resulted in an economic gain of \$1,277,035 and a decrease in cash flows of \$96,017. Proceeds from the 2010 Series A 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 C bonds are legally defeased and are no longer a liability of the Agency.

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, 2010 is \$10,855,000. At June 30, 2010, the Agency has a cash reserve balance for debt service of \$939,541 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
2011	\$ 1,955,000	\$ 2,594,512	\$ 4,549,512
2012	1,650,000	2,551,249	4,201,249
2013	1,710,000	2,487,469	4,197,469
2014	1,770,000	2,416,779	4,186,779
2015	1,840,000	2,343,225	4,183,225
2016 - 2020	10,470,000	10,531,031	21,001,031
2021 - 2025	13,180,000	7,623,491	20,803,491
2026 - 2030	12,890,000	4,132,525	17,022,525
2031 - 2034	9,080,000	836,943	9,916,943
Totals	<u>\$ 54,545,000</u>	<u>\$ 35,517,224</u>	<u>\$ 90,062,224</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

8. 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 \$467,724 are to be made on an annual basis through fiscal year 2032. Interest is accrued cumulatively on the advances at a rate of 2.715%.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 259,430	\$ 208,294	\$ 467,724
2012	266,474	201,250	467,724
2013	273,710	194,014	467,724
2014	281,141	186,583	467,724
2015	288,775	178,949	467,724
2016 - 2020	1,565,837	772,783	2,338,620
2021 - 2025	1,790,283	548,337	2,338,620
2026 - 2030	2,046,900	291,720	2,338,620
2031 - 2032	<u>898,685</u>	<u>36,765</u>	<u>935,450</u>
Totals	<u>\$ 7,671,235</u>	<u>\$ 2,618,695</u>	<u>\$ 10,289,930</u>

9. SPECIAL ASSESSMENT DISTRICT BONDS:

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

A summary of Special Assessment Bonds outstanding at June 30, 2010, for which the City has no liability or commitment, follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2010
Assessment District No. 86-1 Improvement Bonds	\$ 4,712,332	\$ 1,783,325
Assessment District No. 90-1 A Improvement Bonds	1,780,000	1,075,000
Assessment District No. 93-1 Refunding Improvement Bonds, Series 2000	19,875,000	<u>17,360,000</u>
Total Assessment District Bonds		<u>\$ 20,218,325</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

10. COMMUNITY FACILITIES DISTRICT BONDS:

These bonds are authorized pursuant to the Mello-Roos Community Facilities District Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facility Districts according to a methodology approved by the voters within the District and by the City Council of the City of Lake Elsinore. Neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City has used the proceeds of the Local Agency Revenue Bonds to invest in these Community Facilities District Bonds and acts solely as an agency for those paying taxes levied and the bondholders. Therefore, the outstaying balances of these bonds are not reflected in these financial statements. A summary of Mello-Roos Bonds outstanding at June 30, 2010 follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2010
Community Facilities District 90-2 Tuscany Hills Public Improvements 2002 Series	\$ 14,470,000	\$ 8,565,000
Community Facilities District 95-1 Lake Elsinore City Center Public Improvements	1,600,000	1,250,000
Community Facilities District 98-1 Summerhill Public Improvements	17,660,000	17,605,000
Community Facilities District 2003-2 Canyon Hills 2004 Series A	12,235,000	11,975,000
Community Facilities District 2004-3 Roseta Canyon 2005 Series A	22,635,000	22,375,000
Community Facilities District 2005-1 Serenity 2006 Series A	9,180,000	8,975,000
Community Facilities District 2005-2 Alberhill Ranch 2005 Series A	24,680,000	24,575,000
Community Facilities District 2005-6 City Center Townhomes 2006 Series A	3,525,000	3,510,000
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	20,425,000
Community Facilities District 2004-3 Roseta Canyon 2006 Series A	23,460,000	23,375,000
Community Facilities District 2006-2 Viscaya 2006 Series A	7,290,000	7,255,000
Community Facilities District 88-3 2008 Series A	24,670,000	21,485,000
Community Facilities District 88-3 2008 Series A	7,175,000	6,845,000
Community Facilities District 88-3 2008 Series B	3,265,000	3,265,000
Total Community Facilities District Bonds		<u>\$ 188,820,000</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

11. MORTGAGE REVENUE BONDS:

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

	Original Issue Amount	Bonds Outstanding at June 30, 2010
Lakeside Village Project - Due January 1, 2031	\$ 5,000,000	<u>\$ 4,353,100</u>

12. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

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

Due to and from other funds at June 30, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 1,292,885
	Public Financing Authority Debt Service Fund	5,515
	Other Governmental Funds	391,234
Redevelopment Agency Debt Service Fund	Other Governmental Funds	4,809,388
Other Governmental Funds	Other Governmental Funds	<u>45,595</u>
		<u>\$ 6,544,617</u>

The General Fund loaned the Redevelopment Agency Debt Service Fund, the Public Financing Authority Debt Service Fund and Other Governmental Funds \$1,292,885, \$5,515 and \$391,234, 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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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

Advances to and from other funds at June 30, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 7,671,235
Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	<u>37,401,756</u>
		<u>\$ 45,072,991</u>

The General Fund advanced \$7,671,235 to the Redevelopment Agency Debt Service Fund to provide funds to fund Agency projects.

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 \$18,040,439 and accrued interest of \$15,611,317 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.

The compositions of the City's interfund transfer balances as of June 30, 2010 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 20,000
Other Governmental Funds	General Fund	658,298
	Redevelopment Agency Debt Service Fund	2,000,000
	Other Governmental Funds	<u>1,822,396</u>
		<u>\$ 4,500,694</u>

Transfers were made to provide cash flows for expenditures.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

13. FUND BALANCE RESERVES AND DESIGNATIONS:

The various reserves and designations at June 30, 2010 are as follows:

	General Fund	Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	Public Financing Authority Debt Service Fund	Other Governmental Funds
Reserved:					
Debt service	\$ -	\$ 1,461,936	\$ 3,325,656	\$ 60,948,950	\$ 3,065
Encumbrances	23,379	-	-	-	704,910
Specific projects	129,669	-	-	-	1,412,476
Loans receivable	-	-	-	54,545,000	-
Advance to other funds	7,671,235	18,040,439	-	-	-
Low and moderate income housing	-	12,103,837	-	-	-
Prepaid and other assets	769,235	-	106,108	-	-
Land held for resale	-	2,714,687	-	-	6,088,480
Capital replacement	-	-	-	-	18,000
Unreserved:					
Designated for future contingencies	5,673,298	-	-	-	-
Undesignated	650,503	-	(28,296,761)	-	12,487,343
Totals	<u>\$ 14,917,319</u>	<u>\$ 34,320,899</u>	<u>\$ (24,864,997)</u>	<u>\$ 115,493,950</u>	<u>\$ 20,714,274</u>

Reserved for Debt Service

This reserve was established for cash restrictions for future debt service in such a manner that they will not be considered as current available funds.

Reserved for Encumbrances

This reserve was established to represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received at June 30, 2010, in such a manner that they will not be considered as current available funds.

See independent auditors' report.

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

June 30, 2010

13. FUND BALANCE RESERVES AND DESIGNATIONS (CONTINUED):

Reserved for Specific Projects

This reserve was established to represent specific projects for which the City has made a commitment towards completion in such a manner that they will not be considered as current available funds.

Reserved for Loans Receivable

This reserve was established to reflect the noncurrent portion of loans receivable in such a manner that they will not be considered as current available funds.

Reserved for Advances to Other Funds

This reserve was established to represent amounts that were advanced to the Rancho Laguna Redevelopment Projects Areas I and II in such a manner that they will not be considered as current available funds.

Reserved for Low and Moderate Income Housing

This reserve was established to represent amounts set-aside for low to moderate income housing for expenditures which benefit low to moderate income families.

Reserved for Prepaid and Other Assets

This reserve was established to represent amounts that were paid prior to June 30, 2010 for fiscal year 2009-10 in such a manner that they will not be considered as current available funds.

Reserved for Land Held for Resale

This reserve was established to remove land held for resale from current fund balances in such a manner that they will not be considered as current available funds.

See independent auditors' report.

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

June 30, 2010

13. FUND BALANCE RESERVES AND DESIGNATIONS (CONTINUED):

Reserved for Capital Replacement

This reserve was established from fund balances to reserve fund balances for capital replacement.

Designated for Future Contingencies

This designation is for resources from the General Fund for future contingencies.

14. RESTATEMENT OF NET ASSETS/FUND BALANCES:

A. Restatement of Net Assets - Government-wide Financial Statements:

Net assets at the beginning of the year in the government-wide financial statements have been restated as follows:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 166,858,188
Increase in net assets to record cash with fiscal agent (1995A bonds)	1,023,464
Decrease in net assets to record additional redevelopment agency liabilities	(740,192)
Increase in net assets to correct expenditures incorrectly charged in prior years	<u>127,482</u>
Net assets as restated	<u>\$ 167,268,942</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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	\$ 4,375,930	\$ 3,226,769
Other Governmental Funds:		
Supplemental Law Enforcement Service		
Special Revenue Fund	100,270	100,000
L.L.E.B.G. Program Special Revenue Fund	73,745	70,429
Office of Traffic and Safety Special Revenue Fund	213,159	208,625
Gas Tax Special Revenue Fund	783,893	674,658
Lighting and Landscaping Special Revenue Fund	1,320,892	1,313,200
L.L.M.D. No. 1 Special Revenue Fund	180,888	171,000
Storm Drain Capital Projects Fund	771,471	140,915
Traffic Improvements Capital Projects Fund	601,312	2,158
TUMF Capital Projects Fund	1,479,210	1,423,000

The following funds had a deficit fund balance at June 30, 2010. These deficits are expected to be eliminated through future revenues and transfers.

	<u>Amount</u>
Major Fund:	
Redevelopment Agency Debt Service Fund	\$ 24,864,997
Other Governmental Funds:	
L.L.E.B.G. Program Special Revenue Fund	12,313
Office of Traffic and Safety Special Revenue Fund	69,729
Lighting and Landscaping Special Revenue Fund	3,797
C.D.B.G. Special Revenue Fund	113,196
N.P.D.E.S. Special Revenue Fund	25,816
Recreation Authority Debt Service Fund	5,819
TUMF Capital Projects Fund	154,879

See independent auditors' report.

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

June 30, 2010

16. PENSION PLAN:

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent 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.

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	<hr/> 8.00%

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

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

See independent auditors' report.

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

June 30, 2010

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, 2010, 2009 and 2008 were 16.485%, 17.50% and 18.35%, respectively. The City's contributions to CalPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,022,973, \$1,240,414 and \$1,208,104, 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, 2010, the City elected to fund \$317,810 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 2009-10 was \$1,356,199.

See independent auditors' report.

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

June 30, 2010

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	-
Adjustment to ARC	-
Annual OPEB cost	<u>1,356,199</u>
Actual contributions made	<u>(317,810)</u>
Increase in net OPEB obligation	1,038,389
Net OPEB Obligation - beginning of year	<u>1,048,397</u>
 Net OPEB Obligation - end of year	 <u><u>\$ 2,086,786</u></u>

Three-Year Trend Information

For fiscal year 2010, the City's annual OPEB cost (expense) of \$1,356,199 was equal to the ARC. Since this fiscal year is the second year, information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation is only available for the past two fiscal years, as 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

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, 2010

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, 2010

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:

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 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

General Liability Insurance

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies; (4b) subject to a \$3,000,000 annual aggregate deductible; (4c) and a quota-sharing agreement whereby the Insurance Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

19. LIABILITY, PROPERTY AND PROTECTION (CONTINUED):

Purchased Insurance:

Property Insurance

The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. The City's property currently has all-risk property insurance protection in the amount of \$34,672,957. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance

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

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The aforementioned information is not included in the accompanying financial statements. Complete financial statements for the Insurance Authority may be obtained at 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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

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:

Laing Elsinore LLC

The Agency has entered into a Disposition and Development Agreement (the 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. As a result of the bankruptcy of the managing member of Laing-CP Lake Elsinore LLC, Bank of America has foreclosed on and now owns the property subject to the DDA. The Agency has pledged 100% of the net tax increment, excluding moneys to be set aside in the low and moderate income housing fund and existing pass-through agreements, pursuant to the DDA. The DDA prohibits any further bonded indebtedness secured by tax increment generated by the project site, other than for specified project purposes. The Agency has accrued tax increment due under the DDA for payment when due pursuant to the terms of the DDA.

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 for the fiscal year 2009-2010 was \$6,976,853. 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.

The Agency's SERAF contributions for the fiscal year 2010-2011 will be \$1,435,054.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2010

21. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Disposition and Development Agreement

The Redevelopment Agency has entered into a disposition and development agreement with Pottery Court Housing Associates, L.P. to provide a loan in an amount not to exceed \$4,061,000 from the housing fund. The interest on the loan is to be paid at a rate of 3 percent per year with payments due annually on July 1. The payment on the loan will be based on annual payments equal to 75% of the Agency's share of the residual receipts as defined in the DDA agreement commencing on July 1 in the calendar year immediately following the calendar year in which the deed of trust evidencing the loan is recorded in the official records of Riverside County. The loan with accrued interest is payable in full on the date which is 55 years from the date of recording of the release of construction covenants. As of June 30, 2010, the Agency has purchased land from various property owners, including the City at a cost of \$3,271,097 to provide the developer the property for this project. The land has not been transferred to the developer and therefore no loan balance due under this agreement is reported on the balance sheet of the housing fund.

22. JOINT POWERS AGREEMENT:

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, 2010, the Authority had minimal activity and according to the criteria in Note 1A, the Authority is not included in these financial statements.

23. SUBSEQUENT EVENTS:

Issuance of Tax Allocation Revenue Bonds 2010 Series C

In November 2010, Lake Elsinore Public Financing Authority issued Tax Allocation Revenue Bonds 2010 Series C in the aggregate principal amount of \$29,435,000. The proceeds were loaned to the Redevelopment Agency to refund the 1999 Series A Bonds.

Issuance of Local Agency Revenue Bonds 2010 Series A

In November 2010, Lake Elsinore Public Financing Authority issued Local Agency Revenue Bonds 2010 Series A in the aggregate principal amount of \$7,430,000. The proceeds were used to acquire local obligation bonds.

Issuance of Tax Allocation Revenue Bonds 2011 Series A

In January 2011, Lake Elsinore Public Financing Authority issued Tax Allocation Revenue Bonds (Launch Ramp Project) 2011 Series A in the aggregate principal amount of \$5,550,000. The proceeds were loaned to the Redevelopment Agency to finance certain public facility projects in Redevelopment Project No. I.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE ELSINORE

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2010

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 6,446,700	\$ 5,610,000	\$ 5,552,290	\$ (57,710)
Other taxes	8,684,000	8,671,437	8,517,826	(153,611)
Licenses, permits and fees	1,078,200	1,178,200	1,663,425	485,225
Intergovernmental revenues	221,100	221,100	195,454	(25,646)
Charges for services	1,889,600	1,675,880	1,594,774	(81,106)
Fines, forfeitures and penalties	479,000	486,869	432,663	(54,206)
Investment income	450,000	450,000	310,722	(139,278)
Miscellaneous	4,035,100	3,841,832	3,844,090	2,258
TOTAL REVENUES	<u>23,283,700</u>	<u>22,135,318</u>	<u>22,111,244</u>	<u>(24,074)</u>
EXPENDITURES:				
Current:				
General government	5,394,722	5,604,754	5,721,152	(116,398)
Public safety	11,439,296	11,450,812	11,022,531	428,281
Community development	1,792,749	1,794,155	1,814,893	(20,738)
Public services	1,627,346	1,905,516	2,006,185	(100,669)
Community services	3,637,171	3,605,319	3,313,082	292,237
Debt service:				
Principal retirement	20,316	20,316	20,316	-
Interest and fiscal charges	400	400	400	-
TOTAL EXPENDITURES	<u>23,912,000</u>	<u>24,381,272</u>	<u>23,898,559</u>	<u>482,713</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(628,300)</u>	<u>(2,245,954)</u>	<u>(1,787,315)</u>	<u>458,639</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	20,000	20,000	20,000	-
Transfers out	<u>(316,700)</u>	<u>(16,700)</u>	<u>(658,298)</u>	<u>(641,598)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(296,700)</u>	<u>3,300</u>	<u>(638,298)</u>	<u>(641,598)</u>
NET CHANGE IN FUND BALANCE	(925,000)	(2,242,654)	(2,425,613)	(182,959)
FUND BALANCE - BEGINNING OF YEAR	<u>17,342,932</u>	<u>17,342,932</u>	<u>17,342,932</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 16,417,932</u>	<u>\$ 15,100,278</u>	<u>\$ 14,917,319</u>	<u>\$ (182,959)</u>

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES:				
Property taxes	\$ 4,003,506	\$ 253,506	\$ 225,411	\$ (28,095)
Investment income	376,644	376,644	133,564	(243,080)
Miscellaneous income	-	-	717,727	717,727
TOTAL REVENUES	4,380,150	630,150	1,076,702	446,552
EXPENDITURES:				
Capital outlay	1,890,350	1,890,350	1,030,615	859,735
Debt services:				
Payment to refunding bond escrow agent	-	-	1,295,449	1,295,449
Bond issuance costs	-	-	878,354	878,354
Principal retirement	-	-	440,450	440,450
Interest and fiscal charges	1,336,419	1,336,419	731,062	(605,357)
TOTAL EXPENDITURES	3,226,769	3,226,769	4,375,930	(1,149,161)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,153,381	(2,596,619)	(3,299,228)	(702,609)
OTHER FINANCING SOURCES (USES):				
Discount on bonds	-	-	(119,642)	(119,642)
Refunding bonds issued	-	-	15,655,000	15,655,000
Payment to refunding bond escrow agent	-	-	(13,228,136)	(13,228,136)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,307,222	2,307,222
NET CHANGE IN FUND BALANCE	1,153,381	(2,596,619)	(992,006)	1,604,613
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	35,312,905	35,312,905	35,312,905	-
FUND BALANCE - END OF YEAR	\$ 36,466,286	\$ 32,716,286	\$ 34,320,899	\$ 1,604,613

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

CITY OF LAKE ELSINORE, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

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, 2010

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) 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.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2010

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 9,647,765	\$ -	\$ 11,105,809	\$ 20,753,574
Cash and investments with fiscal agents	-	3,065	1,276,415	1,279,480
Accounts receivable	37,179	-	53,461	90,640
Accrued interest receivable	4,741	-	6,472	11,213
Due from other funds	-	-	45,595	45,595
Due from other governments	687,746	-	895,512	1,583,258
Land held for resale	-	-	6,088,480	6,088,480
TOTAL ASSETS	\$ 10,377,431	\$ 3,065	\$ 19,471,744	\$ 29,852,240
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 730,852	\$ -	\$ 361,963	\$ 1,092,815
Accrued liabilities	13,940	-	-	13,940
Deposits and other liabilities	1,700	-	-	1,700
Due to other funds	297,411	8,884	4,939,922	5,246,217
Deferred revenue	2,047,853	-	735,441	2,783,294
TOTAL LIABILITIES	3,091,756	8,884	6,037,326	9,137,966
FUND BALANCES (DEFICIT):				
Reserved for:				
Debt service	-	3,065	-	3,065
Encumbrances	268,585	-	436,325	704,910
Specific projects	-	-	1,412,476	1,412,476
Land held for resale	-	-	6,088,480	6,088,480
Capital replacement	18,000	-	-	18,000
Unreserved:				
Undesignated	6,999,090	(8,884)	5,497,137	12,487,343
TOTAL FUND BALANCES (DEFICIT)	7,285,675	(5,819)	13,434,418	20,714,274
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,377,431	\$ 3,065	\$ 19,471,744	\$ 29,852,240

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, 2010

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Total Other Governmental Funds
REVENUES:				
Licenses, permits and fees	\$ 600,742	\$ -	\$ 323,751	\$ 924,493
Intergovernmental revenues	4,740,492	-	2,386,962	7,127,454
Fines, forfeitures and penalties	301,129	-	-	301,129
Investment income	170,226	-	261,675	431,901
Special assessments	1,578,779	-	-	1,578,779
Miscellaneous	1,458,898	387,251	500,391	2,346,540
TOTAL REVENUES	8,850,266	387,251	3,472,779	12,710,296
EXPENDITURES:				
Current:				
General government	699,154	-	369,902	1,069,056
Public services	7,112,333	-	3,782,546	10,894,879
Capital outlay	569,879	-	2,794,349	3,364,228
Debt service:				
Principal retirement	-	355,000	-	355,000
Interest and fiscal charges	-	35,588	-	35,588
TOTAL EXPENDITURES	8,381,366	390,588	6,946,797	15,718,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	468,900	(3,337)	(3,474,018)	(3,008,455)
OTHER FINANCING SOURCES (USES):				
Transfers in	597,018	-	3,883,676	4,480,694
Transfers out	(682,310)	-	(1,160,086)	(1,842,396)
TOTAL OTHER FINANCING SOURCES (USES)	(85,292)	-	2,723,590	2,638,298
NET CHANGE IN FUND BALANCES	383,608	(3,337)	(750,428)	(370,157)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED				
	6,902,067	(2,482)	14,184,846	21,084,431
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 7,285,675	\$ (5,819)	\$ 13,434,418	\$ 20,714,274

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER SPECIAL REVENUE FUNDS

June 30, 2010

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, 2010

Endowment Trust Fund - to account for receipts used for payment of high school scholarships.

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.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2010

	Supplemental Law Enforcement Service	L.L.E.B.G. Program	Office of Traffic and Safety	Traffic Offender	Gas Tax
ASSETS					
Cash and investments	\$ 89,657	\$ -	\$ -	\$ 93,179	\$ 2,167,031
Accounts receivable	-	-	-	-	-
Accrued interest receivable	56	-	-	54	1,184
Due from other governments	25,773	23,421	2,448	750	127,677
TOTAL ASSETS	\$ 115,486	\$ 23,421	\$ 2,448	\$ 93,983	\$ 2,295,892
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 6,891	\$ 15,141	\$ 2,243	\$ 717	\$ 7,284
Accrued liabilities	-	1,364	-	-	10,118
Deposits and other liabilities	-	-	-	-	-
Due to other funds	-	19,229	69,934	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	6,891	35,734	72,177	717	17,402
FUND BALANCES (DEFICITS):					
Reserved for:					
Encumbrances	-	-	-	-	-
Capital replacement	-	-	-	-	-
Unreserved:					
Undesignated	108,595	(12,313)	(69,729)	93,266	2,278,490
TOTAL FUND BALANCES (DEFICITS)	108,595	(12,313)	(69,729)	93,266	2,278,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,486	\$ 23,421	\$ 2,448	\$ 93,983	\$ 2,295,892

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>
\$ 1,263,519	\$ 31,508	\$ 52,101	\$ 51,890	\$ 20,767	\$ 117,442	\$ 75,000
-	-	-	-	-	-	-
1,265	68	-	184	11	61	-
297,840	24,305	35,371	3,803	-	15,285	-
<u>\$ 1,562,624</u>	<u>\$ 55,881</u>	<u>\$ 87,472</u>	<u>\$ 55,877</u>	<u>\$ 20,778</u>	<u>\$ 132,788</u>	<u>\$ 75,000</u>
\$ 537,865	\$ -	\$ 91,269	\$ 2,998	\$ -	\$ 4,407	\$ 266
64	-	-	-	-	-	-
-	-	-	-	1,700	-	-
-	-	-	-	-	-	187,930
-	-	-	-	-	-	-
<u>537,929</u>	<u>-</u>	<u>91,269</u>	<u>2,998</u>	<u>1,700</u>	<u>4,407</u>	<u>188,196</u>
-	-	-	15,994	-	-	-
-	-	-	18,000	-	-	-
<u>1,024,695</u>	<u>55,881</u>	<u>(3,797)</u>	<u>18,885</u>	<u>19,078</u>	<u>128,381</u>	<u>(113,196)</u>
<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>\$ 1,562,624</u>	<u>\$ 55,881</u>	<u>\$ 87,472</u>	<u>\$ 55,877</u>	<u>\$ 20,778</u>	<u>\$ 132,788</u>	<u>\$ 75,000</u>

(Continued)

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2010

	Endowment Trust Fund	Cost Recovery System	Developer Agreement	Affordable Housing in Lieu
ASSETS				
Cash and investments	\$ 35,454	\$ 1,268,944	\$ 923,769	\$ 1,074,977
Accounts receivable	-	9,170	-	-
Accrued interest receivable	9	-	233	630
Due from other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 35,463</u>	<u>\$ 1,278,114</u>	<u>\$ 924,002</u>	<u>\$ 1,075,607</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 44,510	\$ 14,135	\$ -
Accrued liabilities	-	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	1,233,604	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>1,278,114</u>	<u>14,135</u>	<u>-</u>
FUND BALANCES (DEFICITS):				
Reserved for:				
Encumbrances	-	-	6,449	-
Capital replacement	-	-	-	-
Unreserved:				
Undesignated	<u>35,463</u>	<u>-</u>	<u>903,418</u>	<u>1,075,607</u>
TOTAL FUND BALANCES (DEFICITS)	<u>35,463</u>	<u>-</u>	<u>909,867</u>	<u>1,075,607</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,463</u>	<u>\$ 1,278,114</u>	<u>\$ 924,002</u>	<u>\$ 1,075,607</u>

See independent auditors' report.

City Hall/ Public Works	Community Center	Lake Side Facilities	Animal Shelter	Camino del Norte	Miscellaneous Grants	N.P.D.E.S.	Total Other Special Revenue Funds
\$ 991,188	\$ 65,593	\$ 166,138	\$ 445,968	\$ 34,226	\$ 679,414	\$ -	\$ 9,647,765
6,472	4,360	6,232	2,784	-	8,161	-	37,179
579	35	93	259	20	-	-	4,741
-	-	-	-	-	131,073	-	687,746
<u>\$ 998,239</u>	<u>\$ 69,988</u>	<u>\$ 172,463</u>	<u>\$ 449,011</u>	<u>\$ 34,246</u>	<u>\$ 818,648</u>	<u>\$ -</u>	<u>\$ 10,377,431</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ 3,104	\$ 730,852
-	-	-	-	-	-	2,394	13,940
-	-	-	-	-	-	-	1,700
-	-	-	-	-	-	20,318	297,411
-	-	-	-	-	814,249	-	2,047,853
-	-	-	-	-	814,271	25,816	3,091,756
-	-	209,071	-	-	25,545	11,526	268,585
-	-	-	-	-	-	-	18,000
<u>998,239</u>	<u>69,988</u>	<u>(36,608)</u>	<u>449,011</u>	<u>34,246</u>	<u>(21,168)</u>	<u>(37,342)</u>	<u>6,999,090</u>
<u>998,239</u>	<u>69,988</u>	<u>172,463</u>	<u>449,011</u>	<u>34,246</u>	<u>4,377</u>	<u>(25,816)</u>	<u>7,285,675</u>
<u>\$ 998,239</u>	<u>\$ 69,988</u>	<u>\$ 172,463</u>	<u>\$ 449,011</u>	<u>\$ 34,246</u>	<u>\$ 818,648</u>	<u>\$ -</u>	<u>\$ 10,377,431</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, 2010

	Supplemental Law Enforcement Service	L.L.E.B.G. Program	Office of Traffic and Safety	Traffic Offender	Gas Tax
REVENUES:					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ 90,586	\$ -
Intergovernmental revenues	100,773	50,066	196,290	-	1,260,027
Fines, forfeitures and penalties	-	-	-	-	-
Investment income	2,146	-	-	1,319	38,550
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	102,919	50,066	196,290	91,905	1,298,577
EXPENDITURES:					
Current:					
General government	-	27,331	1,525	-	519,226
Public services	100,270	31,732	211,634	20,171	261,466
Capital outlay	-	14,682	-	-	3,201
TOTAL EXPENDITURES	100,270	73,745	213,159	20,171	783,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,649	(23,679)	(16,869)	71,734	514,684
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	2,649	(23,679)	(16,869)	71,734	514,684
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	105,946	11,366	(52,860)	21,532	1,763,806
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 108,595</u>	<u>\$ (12,313)</u>	<u>\$ (69,729)</u>	<u>\$ 93,266</u>	<u>\$ 2,278,490</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,850,661	-	-	-	-	-	210,802
-	301,129	-	-	-	-	-
27,691	1,525	-	5,035	436	3,562	-
-	-	1,366,197	212,582	-	-	-
100	-	16,542	-	-	56,916	-
<u>2,878,452</u>	<u>302,654</u>	<u>1,382,739</u>	<u>217,617</u>	<u>436</u>	<u>60,478</u>	<u>210,802</u>
7,439	-	900	-	-	1,775	66,053
1,437,759	305,751	1,319,992	180,888	-	10,359	48,708
264,239	-	-	-	-	122,593	87,992
<u>1,709,437</u>	<u>305,751</u>	<u>1,320,892</u>	<u>180,888</u>	<u>-</u>	<u>134,727</u>	<u>202,753</u>
<u>1,169,015</u>	<u>(3,097)</u>	<u>61,847</u>	<u>36,729</u>	<u>436</u>	<u>(74,249)</u>	<u>8,049</u>
-	-	597,018	-	-	-	-
<u>(500,292)</u>	<u>-</u>	<u>-</u>	<u>(182,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(500,292)</u>	<u>-</u>	<u>597,018</u>	<u>(182,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>
668,723	(3,097)	658,865	(145,289)	436	(74,249)	8,049
355,972	58,978	(662,662)	198,168	18,642	202,630	(121,245)
<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>

(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, 2010

	Endowment Trust Fund	Cost Recovery System	Developer Agreement	Affordable Housing in Lieu
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 185,520	\$ 9,708
Intergovernmental revenues	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	572	-	28,633	22,425
Special assessments	-	-	-	-
Miscellaneous	-	-	1,325,000	-
TOTAL REVENUES	<u>572</u>	<u>-</u>	<u>1,539,153</u>	<u>32,133</u>
EXPENDITURES:				
Current:				
General government	-	-	27,712	-
Public services	2,100	-	2,722,737	-
Capital outlay	-	-	525	-
TOTAL EXPENDITURES	<u>2,100</u>	<u>-</u>	<u>2,750,974</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,528)</u>	<u>-</u>	<u>(1,211,821)</u>	<u>32,133</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,528)</u>	<u>-</u>	<u>(1,211,821)</u>	<u>32,133</u>
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>36,991</u>	<u>-</u>	<u>2,121,688</u>	<u>1,043,474</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 35,463</u>	<u>\$ -</u>	<u>\$ 909,867</u>	<u>\$ 1,075,607</u>

See independent auditors' report

City Hall/ Public Works	Community Center	Lake Side Facilities	Animal Shelter	Camino del Norte	Miscellaneous Grants	N.P.D.E.S.	Total Other Special Revenue Funds
\$ 57,439	\$ 38,695	\$ 55,309	\$ 24,708	\$ -	\$ -	\$ 138,777	\$ 600,742
-	-	-	-	-	71,873	-	4,740,492
-	-	-	-	-	-	-	301,129
20,419	2,620	5,436	9,139	718	-	-	170,226
-	-	-	-	-	-	-	1,578,779
-	-	-	-	-	60,340	-	1,458,898
<u>77,858</u>	<u>41,315</u>	<u>60,745</u>	<u>33,847</u>	<u>718</u>	<u>132,213</u>	<u>138,777</u>	<u>8,850,266</u>
121	-	-	-	-	267	46,805	699,154
4,477	112,600	172,979	-	-	118,062	50,648	7,112,333
-	-	-	-	-	9,507	67,140	569,879
<u>4,598</u>	<u>112,600</u>	<u>172,979</u>	<u>-</u>	<u>-</u>	<u>127,836</u>	<u>164,593</u>	<u>8,381,366</u>
<u>73,260</u>	<u>(71,285)</u>	<u>(112,234)</u>	<u>33,847</u>	<u>718</u>	<u>4,377</u>	<u>(25,816)</u>	<u>468,900</u>
-	-	-	-	-	-	-	597,018
-	-	-	-	-	-	-	(682,310)
-	-	-	-	-	-	-	(85,292)
<u>73,260</u>	<u>(71,285)</u>	<u>(112,234)</u>	<u>33,847</u>	<u>718</u>	<u>4,377</u>	<u>(25,816)</u>	<u>383,608</u>
<u>924,979</u>	<u>141,273</u>	<u>284,697</u>	<u>415,164</u>	<u>33,528</u>	<u>-</u>	<u>-</u>	<u>6,902,067</u>
<u>\$ 998,239</u>	<u>\$ 69,988</u>	<u>\$ 172,463</u>	<u>\$ 449,011</u>	<u>\$ 34,246</u>	<u>\$ 4,377</u>	<u>\$ (25,816)</u>	<u>\$ 7,285,675</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 100,773	\$ 773
Investment income		-	2,146	2,146
TOTAL REVENUES	100,000	100,000	102,919	2,919
EXPENDITURES:				
Current:				
Public services	100,000	100,000	100,270	(270)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	2,649	2,649
FUND BALANCE - BEGINNING OF YEAR	105,946	105,946	105,946	-
FUND BALANCE - END OF YEAR	\$ 105,946	\$ 105,946	\$ 108,595	\$ 2,649

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 70,475	\$ 70,475	\$ 50,066	\$ (20,409)
EXPENDITURES:				
Current:				
General government	31,954	31,954	27,331	4,623
Public services	38,475	38,475	31,732	6,743
Capital outlay	-	-	14,682	(14,682)
TOTAL EXPENDITURES	70,429	70,429	73,745	(3,316)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46	46	(23,679)	(23,725)
FUND BALANCE - BEGINNING OF YEAR	11,366	11,366	11,366	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 11,412	\$ 11,412	\$ (12,313)	\$ (23,725)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 208,625	\$ 208,625	\$ 196,290	\$ (12,335)
EXPENDITURES:				
Current:				
General government	-	-	1,525	(1,525)
Public services	208,625	208,625	211,634	(3,009)
TOTAL EXPENDITURES	208,625	208,625	213,159	(4,534)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(16,869)	(16,869)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(52,860)	(52,860)	(52,860)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (52,860)	\$ (52,860)	\$ (69,729)	\$ (16,869)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 28,000	\$ 28,000	\$ 90,586	\$ 62,586
Investment income	-	-	1,319	1,319
TOTAL REVENUES	28,000	28,000	91,905	63,905
EXPENDITURES:				
Current:				
Public services	28,000	28,000	20,171	7,829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	71,734	71,734
FUND BALANCE - BEGINNING OF YEAR	21,532	21,532	21,532	-
FUND BALANCE - END OF YEAR	\$ 21,532	\$ 21,532	\$ 93,266	\$ 71,734

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 662,000	\$ 662,000	\$ 1,260,027	\$ 598,027
Investment income	-	-	38,550	38,550
TOTAL REVENUES	<u>662,000</u>	<u>662,000</u>	<u>1,298,577</u>	<u>636,577</u>
EXPENDITURES:				
Current:				
General government	509,056	509,056	519,226	(10,170)
Public services	155,602	155,602	261,466	(105,864)
Capital outlay	10,000	10,000	3,201	6,799
TOTAL EXPENDITURES	<u>674,658</u>	<u>674,658</u>	<u>783,893</u>	<u>(109,235)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,658)	(12,658)	514,684	527,342
FUND BALANCE - BEGINNING OF YEAR	<u>1,763,806</u>	<u>1,763,806</u>	<u>1,763,806</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,751,148</u>	<u>\$ 1,751,148</u>	<u>\$ 2,278,490</u>	<u>\$ 527,342</u>

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,610,881	\$ 1,610,881	\$ 2,850,661	\$ 1,239,780
Investment income	-	-	27,691	27,691
Miscellaneous	2,000,000	2,000,000	100	(1,999,900)
TOTAL REVENUES	3,610,881	3,610,881	2,878,452	(732,429)
EXPENDITURES:				
Current:				
General government	73,118	73,118	7,439	65,679
Public services	211,991	211,991	1,437,759	(1,225,768)
Capital outlay	1,616,881	1,616,881	264,239	1,352,642
TOTAL EXPENDITURES	1,901,990	1,901,990	1,709,437	192,553
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,708,891	1,708,891	1,169,015	(539,876)
OTHER FINANCING USES:				
Transfers out	-	-	(500,292)	(500,292)
NET CHANGE IN FUND BALANCE	1,708,891	1,708,891	668,723	(1,040,168)
FUND BALANCE - BEGINNING OF YEAR	355,972	355,972	355,972	-
FUND BALANCE - END OF YEAR	<u>\$ 2,064,863</u>	<u>\$ 2,064,863</u>	<u>\$ 1,024,695</u>	<u>\$ (1,040,168)</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 330,000	\$ 330,000	\$ 301,129	\$ (28,871)
Investment income	-	-	1,525	1,525
TOTAL REVENUES	<u>330,000</u>	<u>330,000</u>	<u>302,654</u>	<u>(27,346)</u>
EXPENDITURES:				
Current:				
General government	66,924	66,924	-	66,924
Public services	<u>263,929</u>	<u>263,929</u>	<u>305,751</u>	<u>(41,822)</u>
TOTAL EXPENDITURES	<u>330,853</u>	<u>330,853</u>	<u>305,751</u>	<u>25,102</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(853)	(853)	(3,097)	(2,244)
FUND BALANCE - BEGINNING OF YEAR	<u>58,978</u>	<u>58,978</u>	<u>58,978</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 58,125</u>	<u>\$ 58,125</u>	<u>\$ 55,881</u>	<u>\$ (2,244)</u>

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,300,000	\$ 1,300,000	\$ 1,366,197	\$ 66,197
Miscellaneous	12,500	12,500	16,542	4,042
TOTAL REVENUES	<u>1,312,500</u>	<u>1,312,500</u>	<u>1,382,739</u>	<u>70,239</u>
EXPENDITURES:				
Current:				
General government	-	-	900	(900)
Public services	<u>1,313,200</u>	<u>1,313,200</u>	<u>1,319,992</u>	<u>(6,792)</u>
TOTAL EXPENDITURES	<u>1,313,200</u>	<u>1,313,200</u>	<u>1,320,892</u>	<u>(7,692)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(700)	(700)	61,847	62,547
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>597,018</u>	<u>597,018</u>
NET CHANGE IN FUND BALANCE	(700)	(700)	658,865	659,565
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(662,662)</u>	<u>(662,662)</u>	<u>(662,662)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (663,362)</u></u>	<u><u>\$ (663,362)</u></u>	<u><u>\$ (3,797)</u></u>	<u><u>\$ 659,565</u></u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

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

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,000	\$ 1,000	\$ 5,035	\$ 4,035
Special assessments	202,000	202,000	212,582	10,582
Miscellaneous	2,000	2,000	-	(2,000)
TOTAL REVENUES	205,000	205,000	217,617	12,617
EXPENDITURES:				
Current:				
Public services	171,000	171,000	180,888	(9,888)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,000	34,000	36,729	2,729
OTHER FINANCING USES:				
Transfers out	-	-	(182,018)	(182,018)
NET CHANGE IN FUND BALANCE	34,000	34,000	(145,289)	(179,289)
FUND BALANCE - BEGINNING OF YEAR	198,168	198,168	198,168	-
FUND BALANCE - END OF YEAR	\$ 232,168	\$ 232,168	\$ 52,879	\$ (179,289)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 3,562	\$ 3,562
Miscellaneous	-	-	56,916	56,916
TOTAL REVENUES	-	-	60,478	60,478
EXPENDITURES:				
Current:				
General government	-	-	1,775	(1,775)
Public services	-	-	10,359	(10,359)
Capital outlay	306,637	306,637	122,593	184,044
TOTAL EXPENDITURES	306,637	306,637	134,727	171,910
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(306,637)	(306,637)	(74,249)	232,388
FUND BALANCE - BEGINNING OF YEAR	202,630	202,630	202,630	-
FUND BALANCE - END OF YEAR	<u>\$ (104,007)</u>	<u>\$ (104,007)</u>	<u>\$ 128,381</u>	<u>\$ 232,388</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

C.D.B.G. SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 215,321	\$ 215,321	\$ 210,802	\$ (4,519)
EXPENDITURES:				
Current:				
General government	87,586	87,586	66,053	21,533
Public services	18,018	18,018	48,708	(30,690)
Capital outlay	300,324	300,324	87,992	212,332
TOTAL EXPENDITURES	405,928	405,928	202,753	203,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(190,607)	(190,607)	8,049	198,656
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(121,245)	(121,245)	(121,245)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (311,852)	\$ (311,852)	\$ (113,196)	\$ 198,656

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

LAKESIDE FACILITIES SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 55,309	\$ 55,309
Investment income	-	-	5,436	5,436
TOTAL REVENUES	-	-	60,745	60,745
EXPENDITURES:				
Current:				
Public services	209,071	209,071	172,979	36,092
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(209,071)	(209,071)	(112,234)	96,837
FUND BALANCE - BEGINNING OF YEAR	284,697	284,697	284,697	-
FUND BALANCE - END OF YEAR	\$ 75,626	\$ 75,626	\$ 172,463	\$ 96,837

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 158,000	\$ 158,000	\$ 138,777	\$ (19,223)
EXPENDITURES:				
Current:				
General government	89,559	89,559	46,805	42,754
Public services	30,000	30,000	50,648	(20,648)
Capital outlay	65,188	65,188	67,140	(1,952)
TOTAL EXPENDITURES	184,747	184,747	164,593	20,154
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,747)	(26,747)	(25,816)	931
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (26,747)	\$ (26,747)	\$ (25,816)	\$ 931

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER CAPITAL PROJECTS FUNDS

June 30, 2010

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.

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, 2010

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain	Library Capital Improvement
ASSETS					
Cash and investments	\$ 261,567	\$ 149,219	\$ 13,352	\$ 4,939,722	\$ 1,361,488
Cash and investments with fiscal agents	-	-	-	-	-
Accounts receivable	-	12,800	-	17,801	1,200
Accrued interest receivable	-	87	8	2,957	796
Due from other funds	45,595	-	-	-	-
Due from other governments	-	-	-	-	-
Land held for resale	-	-	-	-	-
TOTAL ASSETS	\$ 307,162	\$ 162,106	\$ 13,360	\$ 4,960,480	\$ 1,363,484
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 6,362	\$ -	\$ -	\$ -	\$ 13,503
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	6,362	-	-	-	13,503
FUND BALANCES (DEFICIT):					
Reserved for:					
Encumbrances	33,533	-	-	-	-
Specific projects	-	-	-	-	-
Land held for resale	-	-	-	-	-
Unreserved:					
Undesignated	267,267	162,106	13,360	4,960,480	1,349,981
TOTAL FUND BALANCES (DEFICIT)	300,800	162,106	13,360	4,960,480	1,349,981
TOTAL LIABILITIES AND FUND BALANCES	\$ 307,162	\$ 162,106	\$ 13,360	\$ 4,960,480	\$ 1,363,484

See independent auditors' report.

Signalization Improvement	Traffic Improvements	City Fire Protection	Public Improvements	Fire Station	TUMF	Assessment Districts	Redevelopment Agency	Total Other Capital Projects Funds
\$ 146,072	\$ 3,030,230	\$ 162,795	\$ 583,781	\$ 17	\$ -	\$ 135,982	\$ 321,584	\$ 11,105,809
-	-	-	-	-	-	1,276,415	-	1,276,415
-	10,952	6,008	-	-	-	-	4,700	53,461
86	1,645	478	336	-	-	79	-	6,472
-	-	-	-	-	-	-	-	45,595
-	-	-	-	-	818,341	-	77,171	895,512
-	-	-	-	-	-	-	6,088,480	6,088,480
<u>\$ 146,158</u>	<u>\$ 3,042,827</u>	<u>\$ 169,281</u>	<u>\$ 584,117</u>	<u>\$ 17</u>	<u>\$ 818,341</u>	<u>\$ 1,412,476</u>	<u>\$ 6,491,935</u>	<u>\$ 19,471,744</u>
\$ -	\$ 39,397	\$ -	\$ -	\$ -	\$ 76	\$ -	\$ 302,625	\$ 361,963
-	-	-	-	-	237,703	-	4,702,219	4,939,922
-	-	-	-	-	735,441	-	-	735,441
-	39,397	-	-	-	973,220	-	5,004,844	6,037,326
-	-	-	-	-	402,792	-	-	436,325
-	-	-	-	-	-	1,412,476	-	1,412,476
-	-	-	-	-	-	-	6,088,480	6,088,480
146,158	3,003,430	169,281	584,117	17	(557,671)	-	(4,601,389)	5,497,137
146,158	3,003,430	169,281	584,117	17	(154,879)	1,412,476	1,487,091	13,434,418
<u>\$ 146,158</u>	<u>\$ 3,042,827</u>	<u>\$ 169,281</u>	<u>\$ 584,117</u>	<u>\$ 17</u>	<u>\$ 818,341</u>	<u>\$ 1,412,476</u>	<u>\$ 6,491,935</u>	<u>\$ 19,471,744</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, 2010

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain	Library Capital Improvement
REVENUES:					
Licenses, permits and fees	\$ -	\$ 123,200	\$ -	\$ 50,971	\$ 31,050
Intergovernmental revenue	62,631	-	-	-	-
Investment income	-	15,148	280	116,026	28,333
Miscellaneous	166,727	-	-	-	-
TOTAL REVENUES	229,358	138,348	280	166,997	59,383
EXPENDITURES:					
Current:					
General government	5,004	-	-	-	-
Public services	911,544	346	-	771,471	20,579
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	916,548	346	-	771,471	20,579
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(687,190)	138,002	280	(604,474)	38,804
OTHER FINANCING SOURCES (USES):					
Transfers in	1,747,678	-	-	-	-
Transfers out	-	(24,088)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,747,678	(24,088)	-	-	-
NET CHANGE IN FUND BALANCES	1,060,488	113,914	280	(604,474)	38,804
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	(759,688)	48,192	13,080	5,564,954	1,311,177
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 300,800	\$ 162,106	\$ 13,360	\$ 4,960,480	\$ 1,349,981

See independent auditors' report.

Signalization Improvement	Traffic Improvements	City Fire Protection	Public Improvements	Fire Station	TUMF	Assessment Districts	Redevelopment Agency	Total Other Capital Projects Funds
\$ -	\$ 32,856	\$ 55,121	\$ 30,553	\$ -	\$ -	\$ -	\$ -	\$ 323,751
-	-	-	-	-	2,324,331	-	-	2,386,962
3,065	66,269	16,764	11,892	-	-	3,644	254	261,675
-	-	-	-	-	-	120	333,544	500,391
<u>3,065</u>	<u>99,125</u>	<u>71,885</u>	<u>42,445</u>	<u>-</u>	<u>2,324,331</u>	<u>3,764</u>	<u>333,798</u>	<u>3,472,779</u>
-	1,916	-	-	-	-	362,982	-	369,902
-	599,396	-	-	-	1,479,210	-	-	3,782,546
-	-	660,000	-	-	-	816,170	1,318,179	2,794,349
<u>-</u>	<u>601,312</u>	<u>660,000</u>	<u>-</u>	<u>-</u>	<u>1,479,210</u>	<u>1,179,152</u>	<u>1,318,179</u>	<u>6,946,797</u>
<u>3,065</u>	<u>(502,187)</u>	<u>(588,115)</u>	<u>42,445</u>	<u>-</u>	<u>845,121</u>	<u>(1,175,388)</u>	<u>(984,381)</u>	<u>(3,474,018)</u>
-	-	-	-	-	-	-	2,135,998	3,883,676
-	-	-	-	-	(1,000,000)	-	(135,998)	(1,160,086)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>2,000,000</u>	<u>2,723,590</u>
3,065	(502,187)	(588,115)	42,445	-	(154,879)	(1,175,388)	1,015,619	(750,428)
<u>143,093</u>	<u>3,505,617</u>	<u>757,396</u>	<u>541,672</u>	<u>17</u>	<u>-</u>	<u>2,587,864</u>	<u>471,472</u>	<u>14,184,846</u>
<u>\$ 146,158</u>	<u>\$ 3,003,430</u>	<u>\$ 169,281</u>	<u>\$ 584,117</u>	<u>\$ 17</u>	<u>\$ (154,879)</u>	<u>\$ 1,412,476</u>	<u>\$ 1,487,091</u>	<u>\$ 13,434,418</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 5,190,269	\$ 5,190,269	\$ 62,631	\$ (5,127,638)
Miscellaneous	-	-	166,727	166,727
TOTAL REVENUES	<u>5,190,269</u>	<u>5,190,269</u>	<u>229,358</u>	<u>(4,960,911)</u>
EXPENDITURES:				
Current:				
General government	-	-	5,004	(5,004)
Public services	3,617,461	3,617,461	911,544	2,705,917
Capital outlay	<u>5,656,169</u>	<u>5,656,169</u>	-	<u>5,656,169</u>
TOTAL EXPENDITURES	<u>9,273,630</u>	<u>9,273,630</u>	<u>916,548</u>	<u>8,357,082</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,083,361)	(4,083,361)	(687,190)	3,396,171
OTHER FINANCING SOURCES:				
Transfers in	<u>140,103</u>	<u>140,103</u>	<u>1,747,678</u>	<u>1,607,575</u>
NET CHANGE IN FUND BALANCE	(3,943,258)	(3,943,258)	1,060,488	5,003,746
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	<u>(759,688)</u>	<u>(759,688)</u>	<u>(759,688)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (4,702,946)</u></u>	<u><u>\$ (4,702,946)</u></u>	<u><u>\$ 300,800</u></u>	<u><u>\$ 5,003,746</u></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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 50,971	\$ 50,971
Investment income	-	-	116,026	116,026
TOTAL REVENUES	-	-	166,997	166,997
EXPENDITURES:				
Current:				
Public services	75,915	75,915	771,471	(695,556)
Capital outlay	65,000	65,000	-	65,000
TOTAL EXPENDITURES	140,915	140,915	771,471	(630,556)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(140,915)	(140,915)	(604,474)	(463,559)
FUND BALANCE - BEGINNING OF YEAR	5,564,954	5,564,954	5,564,954	-
FUND BALANCE - END OF YEAR	\$ 5,424,039	\$ 5,424,039	\$ 4,960,480	\$ (463,559)

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

LIBRARY CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 31,050	\$ 31,050
Investment income	-	-	28,333	28,333
TOTAL REVENUES	-	-	59,383	59,383
EXPENDITURES:				
Current:				
Public services	6,825	6,825	20,579	(13,754)
Capital outlay	50,000	50,000	-	50,000
TOTAL EXPENDITURES	56,825	56,825	20,579	36,246
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(56,825)	(56,825)	38,804	95,629
FUND BALANCE - BEGINNING OF YEAR	1,311,177	1,311,177	1,311,177	-
FUND BALANCE - END OF YEAR	\$ 1,254,352	\$ 1,254,352	\$ 1,349,981	\$ 95,629

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ 32,856	\$ 32,856
Investment income	-	-	66,269	66,269
TOTAL REVENUES	-	-	99,125	99,125
EXPENDITURES:				
Current:				
General government	-	-	1,916	(1,916)
Public services	2,158	2,158	599,396	(597,238)
TOTAL EXPENDITURES	2,158	2,158	601,312	(599,154)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,158)	(2,158)	(502,187)	(500,029)
FUND BALANCE - BEGINNING OF YEAR	3,505,617	3,505,617	3,505,617	-
FUND BALANCE - END OF YEAR	\$ 3,503,459	\$ 3,503,459	\$ 3,003,430	\$ (500,029)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 2,324,331	\$ 2,324,331
Investment income	1,423,000	1,423,000	-	(1,423,000)
TOTAL REVENUES	1,423,000	1,423,000	2,324,331	901,331
EXPENDITURES:				
Current:				
Public services	1,423,000	1,423,000	1,479,210	(56,210)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	845,121	845,121
OTHER FINANCING USES:				
Transfers out	-	-	(1,000,000)	(1,000,000)
NET CHANGE IN FUND BALANCE	-	-	(154,879)	(154,879)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ -	\$ (154,879)	\$ (154,879)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 254	\$ 254
Miscellaneous	-	-	333,544	333,544
TOTAL REVENUES	-	-	333,798	333,798
EXPENDITURES:				
Capital outlay	1,885,367	1,885,367	1,318,179	567,188
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,885,367)	(1,885,367)	(984,381)	900,986
OTHER FINANCING SOURCES (USES):				
Transfers in	2,643,533	2,643,533	2,135,998	(507,535)
Transfers out	-	-	(135,998)	(135,998)
TOTAL OTHER FINANCING SOURCES (USES)	2,643,533	2,643,533	2,000,000	(643,533)
NET CHANGE IN FUND BALANCE	758,166	758,166	1,015,619	257,453
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	471,472	471,472	471,472	-
FUND BALANCE - END OF YEAR	\$ 1,229,638	\$ 1,229,638	\$ 1,487,091	\$ 257,453

See independent auditors' report.

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CITY OF LAKE ELSINORE, CALIFORNIA

AGENCY FUNDS

June 30, 2010

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, 2010

	Kangaroo Rat	Developer Deposit Trust	Assessment Districts	Lake Maintenance	Destratification Equipment Replacement	Total Agency Funds
ASSETS						
Cash and investments	\$ 4,198	\$1,074,831	\$ 2,099,908	\$ -	\$ 112,425	\$ 3,291,362
Cash and investments with fiscal agents	-	-	35,966,337	1,731,273	-	37,697,610
Accounts receivable	-	-	24,598	-	-	24,598
Accrued interest receivable	-	-	99,095	-	-	99,095
Due from other governments	-	-	1,459,262	-	-	1,459,262
TOTAL ASSETS	\$ 4,198	\$1,074,831	\$39,649,200	\$ 1,731,273	\$ 112,425	\$ 42,571,927
LIABILITIES						
Accounts payable	\$ 4,198	\$ -	\$ 16,373	\$ -	\$ 289	\$ 20,860
Deposits and other liabilities	-	1,074,831	65,000	1,731,273	112,136	2,983,240
Due to other governments	-	-	4,685,615	-	-	4,685,615
Due to bondholders	-	-	34,882,212	-	-	34,882,212
TOTAL LIABILITIES	\$ 4,198	\$1,074,831	\$39,649,200	\$ 1,731,273	\$ 112,425	\$ 42,571,927

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, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
KANGAROO RAT				
ASSETS:				
Cash and investments	\$ 87	\$ 4,111	\$ -	\$ 4,198
LIABILITIES:				
Accounts payable	\$ -	\$ 4,198	\$ -	\$ 4,198
Deposits and other liabilities	87	-	87	-
TOTAL LIABILITIES	\$ 87	\$ 4,198	\$ 87	\$ 4,198
DEVELOPER DEPOSIT TRUST				
ASSETS:				
Cash and investments	\$ 967,155	\$ 107,676	\$ -	\$ 1,074,831
LIABILITIES:				
Accounts payable	\$ 3,541	\$ -	\$ 3,541	\$ -
Deposits and other liabilities	963,440	111,391	-	1,074,831
Due to other governments	174	-	174	-
TOTAL LIABILITIES	\$ 967,155	\$ 111,391	\$ 3,715	\$ 1,074,831
ASSESSMENT DISTRICTS				
ASSETS:				
Cash and investments	\$ 984,189	\$ 1,115,719	\$ -	\$ 2,099,908
Cash and investments with fiscal agents	32,794,652	3,171,685	-	35,966,337
Accounts receivable	3,770	20,828	-	24,598
Accrued interest receivable	6,443	92,652	-	99,095
Due from other governments	917,306	541,956	-	1,459,262
TOTAL ASSETS	\$ 34,706,360	\$ 4,942,840	\$ -	\$ 39,649,200
LIABILITIES:				
Accounts payable	\$ 97,854	\$ -	\$ 81,481	\$ 16,373
Deposits and other liabilities	65,000	-	-	65,000
Due to other governments	3,606,681	1,078,934	-	4,685,615
Due to bondholders	30,936,825	3,945,387	-	34,882,212
TOTAL LIABILITIES	\$ 34,706,360	\$ 5,024,321	\$ 81,481	\$ 39,649,200

(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, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
LAKE MAINTENANCE				
ASSETS:				
Cash and investments with fiscal agents	\$ 3,268,062	\$ -	\$ 1,536,789	\$ 1,731,273
LIABILITIES:				
Deposits and other liabilities	\$ 3,268,062	\$ -	\$ 1,536,789	\$ 1,731,273
DESTRATIFICATION EQUIPMENT REPLACEMENT				
ASSETS:				
Cash and investments	\$ 100,000	\$ 12,425	\$ -	\$ 112,425
LIABILITIES:				
Accounts payable	\$ -	\$ 289	\$ -	\$ 289
Deposits and other liabilities	100,000	12,136	-	112,136
TOTAL LIABILITIES	\$ 100,000	\$ 12,425	\$ -	\$ 112,425
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 2,051,431	\$ 1,239,931	\$ -	\$ 3,291,362
Cash and investments with fiscal agents	36,062,714	3,171,685	1,536,789	37,697,610
Accounts receivable	3,770	20,828	-	24,598
Accrued interest receivable	6,443	92,652	-	99,095
Due from other governments	917,306	541,956	-	1,459,262
TOTAL ASSETS	\$ 39,041,664	\$ 5,067,052	\$ 1,536,789	\$ 42,571,927
LIABILITIES:				
Accounts payable	\$ 101,395	\$ 4,487	\$ 85,022	\$ 20,860
Deposits and other liabilities	4,396,589	123,527	1,536,876	2,983,240
Due to other governments	3,606,855	1,078,934	174	4,685,615
Due to bondholders	30,936,825	3,945,387	-	34,882,212
TOTAL LIABILITIES	\$ 39,041,664	\$ 5,152,335	\$ 1,622,072	\$ 42,571,927

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, 2010

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 5,352,814
Building and structures	23,113,642
Improvements other than buildings	8,190,430
Machinery and equipment	3,341,502
Furniture and fixtures	619,814
Automotive	2,002,003
Infrastructure	174,866,595
Construction in progress	<u>14,311,848</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u><u>\$ 231,798,648</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General Fund	\$ 109,273,668
Redevelopment Agency Special Revenue Fund	17,795,119
Supplemental Law Enforcement Service Special Revenue Fund	102,366
L.L.E.B.G. Special Revenue Fund	14,682
Office of Traffic and Safety Special Revenue Fund	672,037
Traffic Offender Special Revenue Fund	149,633
Gas Tax Special Revenue Fund	1,991,742
Transportation Special Revenue Fund	2,587,063
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	1,575,676
Developer Agreement Special Revenue Fund	1,804,976
City Hall/Public Works Special Revenue Fund	148,353
Lakeside Facilities Special Revenue Fund	531,963
Miscellaneous Grants Special Revenue Fund	18,534
N.P.D.E.S. Special Revenue Fund	65,537
Assessment Districts Capital Projects Fund	59,171,964
Miscellaneous General Projects Capital Projects Fund	26,458,819
Park Improvement and Development Capital Projects Fund	1,263,147
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	<u>1,515,913</u>
 TOTAL INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE	 <u><u>\$ 231,798,648</u></u>

See independent auditors' report.

STATISTICAL SECTION

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2010

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.	136 - 145
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	147 - 151
<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.	152 - 158
<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.	159 - 160
<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.	161 - 164

CITY OF LAKE ELSINORE

NET ASSETS BY COMPONENT

Last Eight 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
\$ 97,369,896	\$ 125,539,928	\$ 141,550,858	\$ 142,968,348
173,307,658	151,937,522	122,099,858	110,984,917
<u>(92,504,071)</u>	<u>(96,240,481)</u>	<u>(96,792,528)</u>	<u>(93,859,128)</u>
<u>\$ 178,173,483</u>	<u>\$ 181,236,969</u>	<u>\$ 166,858,188</u>	<u>\$ 160,094,137</u>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Eight 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
\$ 10,414,729	\$ 8,195,897	\$ 10,562,122	\$ 10,252,727
11,686,158	14,293,269	13,139,389	11,022,531
21,514,552	32,342,175	31,976,146	15,847,532
9,867,133	10,861,673	14,123,738	14,812,199
6,801,741	6,013,006	4,737,856	4,295,719
11,531,570	10,145,830	10,168,917	10,509,806
<u>71,815,883</u>	<u>81,851,850</u>	<u>84,708,168</u>	<u>66,740,514</u>
9,204,517	6,885,167	4,828,438	3,181,706
-	-	-	-
4,362,650	3,960,353	1,064,036	924,493
-	-	-	-
1,364,513	1,422,754	1,482,146	1,578,779
5,043,547	4,109,188	6,482,888	4,561,669
<u>42,085,516</u>	<u>2,159,798</u>	<u>-</u>	<u>-</u>
<u>62,060,743</u>	<u>18,537,260</u>	<u>13,857,508</u>	<u>10,246,647</u>
<u>(9,755,140)</u>	<u>(63,314,590)</u>	<u>(70,850,660)</u>	<u>(56,493,867)</u>
<u>\$ (9,755,140)</u>	<u>\$ (63,314,590)</u>	<u>\$ (70,850,660)</u>	<u>\$ (56,493,867)</u>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
GENERAL REVENUES

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

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
\$ 26,685,369	\$ 33,307,785	\$ 31,590,868	\$ 25,904,948
7,836,334	8,148,355	6,414,419	6,236,748
1,688,010	1,768,178	1,824,890	1,792,699
1,020,788	770,024	751,794	519,001
599,894	918,619	937,506	733,792
17,220,975	14,271,312	9,334,141	7,470,635
5,839,608	7,193,803	5,768,257	6,661,239
-	-	-	-
-	-	-	-
-	-	-	-
60,890,978	66,378,076	56,621,875	49,319,062
51,135,838	3,063,486	(14,228,785)	(7,174,805)
<u>\$ 51,135,838</u>	<u>\$ 3,063,486</u>	<u>\$ (14,228,785)</u>	<u>\$ (7,174,805)</u>

CITY OF LAKE ELSINORE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Eight 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	<u>(5,395,439)</u>	<u>(50,687)</u>	<u>7,608,315</u>	<u>9,141,046</u>
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>

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

Fiscal Year			
2007	2008	2009	2010
\$ 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>
\$ 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>

CITY OF LAKE ELSINORE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Eight 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 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 eight years of data for this schedule.

Source: City Finance Department

Fiscal Year			
2007	2008	2009	2010
\$ 26,685,369	\$ 33,307,785	\$ 31,590,868	\$ 25,429,344
10,503,108	10,741,363	9,071,246	8,517,826
7,775,477	6,266,086	2,267,568	2,587,918
2,700,185	4,109,188	3,630,144	7,322,908
5,791,690	4,579,433	3,548,413	1,594,774
599,894	918,619	937,506	733,792
17,268,845	14,237,891	9,445,099	7,928,611
1,364,513	1,422,754	1,482,146	1,578,779
42,085,516	2,159,798	-	-
5,839,608	7,193,803	5,768,257	6,910,516
<u>120,614,205</u>	<u>84,936,720</u>	<u>67,741,247</u>	<u>62,604,468</u>
8,548,606	6,190,346	6,479,795	6,797,320
11,686,158	14,293,269	13,139,389	11,022,531
3,481,278	4,549,297	4,662,003	3,049,501
8,431,702	9,321,939	12,202,971	12,901,064
6,063,747	5,221,331	3,750,267	3,313,082
7,006,699	9,878,294	9,647,322	7,782,513
-	-	-	3,750,000
-	-	-	6,976,853
25,236,661	49,056,332	38,113,875	4,394,834
-	-	-	1,987,745
-	1,213,789	-	1,584,965
4,979,674	3,872,984	5,469,538	6,037,770
11,492,802	10,132,679	10,066,977	10,318,720
-	-	-	-
<u>86,927,327</u>	<u>113,730,260</u>	<u>103,532,137</u>	<u>79,916,898</u>
<u>33,686,878</u>	<u>(28,793,540)</u>	<u>(35,790,890)</u>	<u>(17,312,430)</u>
7,089,415	6,412,891	4,386,162	4,500,694
(7,089,415)	(6,412,891)	(4,386,162)	(4,500,694)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	26,290,000
-	-	-	(23,235,000)
-	274,026	-	-
-	(3,117)	-	(166,785)
-	22,295,000	-	26,290,000
-	3,265,000	-	-
-	(22,221,899)	-	(22,082,648)
-	3,609,010	-	7,095,567
<u>\$ 33,686,878</u>	<u>\$ (25,184,530)</u>	<u>\$ (35,790,890)</u>	<u>\$ (10,216,863)</u>
26.7%	21.7%	18.7%	27.5%

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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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	0.00300	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	0.00000	0.02117	0.01625	0.01435	0.00578	0.00549	0.02370	0.03254
Metropolitan Water District	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430
Perris School District	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02999	0.02894	0.02485
Perris Union High School	<u>0.01742</u>	<u>0.01696</u>	<u>0.01748</u>	<u>0.0156</u>	<u>0.01192</u>	<u>0.0235</u>	<u>0.03222</u>	<u>0.0211</u>	<u>0.02031</u>	<u>0.02686</u>
Total Direct and Overlapping ² Tax Rates	1.02922	1.02466	1.02418	1.04287	1.03397	1.04305	1.04270	1.06108	1.07725	1.08855
City's Share of 1% Levy Per Prop 13 ³	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415	0.17415
General Obligation Debt Rate:										
RDA basic rate ⁴	<u>1.00880</u>	<u>1.00770</u>	<u>1.00670</u>	<u>1.00610</u>	<u>1.00580</u>	<u>1.00520</u>	<u>1.00470</u>	<u>1.00450</u>	<u>1.00430</u>	<u>1.00430</u>
Total Direct Rate ⁵	<u><u>0.60829</u></u>	<u><u>0.63574</u></u>	<u><u>0.63470</u></u>	<u><u>0.61268</u></u>	<u><u>0.58827</u></u>	<u><u>0.57653</u></u>	<u><u>0.53996</u></u>	<u><u>0.51615</u></u>	<u><u>0.51762</u></u>	<u><u>0.53493</u></u>

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 2000/01 - 2009/10 Tax Rate Table and Annual Tax Increment Tables

CITY OF LAKE ELSINORE
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2010		2001	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (2)
Fairfield Ramsgate	\$ 50,680,569	1.25%	-	0.00%
Castle and Cooke, Lake Elsinore Outlet	43,214,483	1.06%	-	0.00%
Castle and Cooke, Lake Elsinore West	38,596,665	0.95%	-	0.00%
Centex Homes	33,611,677	0.83%	-	0.00%
Castle and Cooke, Alberhill Ranch	30,216,161	0.74%	-	0.00%
Broadstone Rivers Edge	28,109,172	0.69%	-	0.00%
Harbor Grand Apartments Investment	24,923,963	0.61%	-	0.00%
Pardee Homes	20,375,351	0.50%	-	0.00%
Deutsche Bank National Trust Company	19,076,900	0.47%	-	0.00%
Laing CP Lake Elsinore	17,998,123	0.44%	-	0.00%
MCG Outlet Centers LP	-	0.00%	\$ 34,817,166	2.54%
King Vedeocable Company	-	0.00%	23,351,114	1.70%
North Peak Partners	-	0.00%	13,909,855	1.01%
Wares Delaware Corporation	-	0.00%	13,003,891	0.95%
Oak Grove Equities	-	0.00%	11,495,055	0.84%
Albertson's	-	0.00%	11,328,701	0.83%
Pardee Grossman Cottonwood Canyon	-	0.00%	10,719,689	0.78%
Louis F. DePasquale	-	0.00%	10,533,104	0.77%
Elsinore 98	-	0.00%	9,429,701	0.69%
White Rock Acquisition Company	-	0.00%	7,968,373	0.58%
	<u>\$ 306,803,064</u>	<u>7.55%</u>	<u>\$ 146,556,649</u>	<u>10.69%</u>

(1) 2009-10 Local Secured Assessed Valuation: \$ 4,062,119,890

(2) 2000-01 Local Secured Assessed Valuation: \$ 1,371,273,848

Source: Riverside County Assessor 2000/01 - 2009/10 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
2001	\$ 1,004,347	\$ 986,591	98.23%	\$ 5,190	\$ 991,781	98.75%
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%

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	Less: Exemptions	
2001	\$ 1,285,384,000	\$ 61,516,000	\$ -	\$ 1,346,900,000
2002	1,455,116,000	70,676,000	-	1,525,792,000
2003	1,589,704,975	63,790,757	27,463,860	1,626,031,872
2004	1,866,148,691	71,494,000	31,263,886	1,906,378,805
2005	2,197,921,536	92,924,768	32,978,771	2,257,867,533
2006	2,797,749,314	88,651,279	34,890,056	2,851,510,537
2007	3,600,113,159	84,367,728	35,859,827	3,648,621,060
2008	4,805,770,856	119,981,392	38,480,226	4,887,272,022
2009	4,813,251,955	114,151,249	41,225,540	4,886,177,664
2010	3,957,216,079	104,899,011	42,153,790	4,019,961,300

Notes:

Exemption information not available for the fiscal years ended June 30, 2000 to June 30, 2002. 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	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
1,061,846,886	61,221,639	16,181,794	1,106,886,731	0.410%
n/a	n/a	n/a	n/a	n/a
1,309,466,152	88,347,530	18,419,220	1,379,394,462	0.454%
1,614,383,654	82,665,786	18,747,059	1,678,302,381	0.512%
1,917,886,856	79,195,924	18,939,103	1,978,143,677	0.474%
2,393,710,398	100,647,142	19,160,534	2,475,197,006	0.452%
2,411,198,603	91,268,375	19,499,200	2,482,967,778	0.429%
2,077,411,999	83,367,167	19,152,000	2,141,627,166	0.000%

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	Revenue/ Revenue Refunding Bonds	Developer/ Owner Agreements
2001	\$ 70,420,000	\$ 60,955,000	\$ 15,660,000	\$ 5,213,032
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

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
\$ 9,378,766	\$ 66,753	\$ -	\$ -	\$ 161,693,551	34.06%	5,589
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

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		
2001	\$ 60,955,000	\$ 60,955,000	4.53%	\$ 2,107
2002	60,220,000	60,220,000	3.95%	2,006
2003	59,290,000	59,290,000	3.65%	1,899
2004	58,310,000	58,310,000	3.06%	1,745
2005	57,320,000	57,320,000	2.54%	1,596
2006	56,280,000	56,280,000	1.97%	1,474
2007	55,175,000	55,175,000	1.51%	1,340
2008	54,010,000	54,010,000	1.11%	1,135
2009	52,785,000	52,785,000	1.08%	1,066
2010	54,545,000	54,545,000	1.36%	1,084

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, 2010

City Assessed Valuation	\$ 4,062,115,090
Redevelopment Agency Incremental Valuation	2,160,779,166
Total Assessed Valuation	<u>\$ 6,222,894,256</u>

	Percentage Applicable (1)	Outstanding Debt 6/30/10	City's Share of Overlapping Debt 6/30/10
Overlapping Tax and Assessment Debt:			
Riverside County Flood Control District, Zone No. 3 Benefit Assessment District	47.104%	\$ 2,965,000	\$ 1,396,634
Metropolitan Water District	0.097%	264,220,000	256,293
Perris Union High School District	0.763%	56,172,260	428,594
Menifee Union School District	1.133%	45,408,922	514,483
Perris School District	0.385%	7,494,571	28,854
Lake Elsinore Unified School District Community Facilities Districts	100.000%	24,891,327	24,891,327
City of Lake Elsinore Community Facilities District No. 88-3	100.000%	29,125,000	29,125,000
City of Lake Elsinore Community Facilities District No. 90-2	100.000%	15,905,000	15,905,000
City of Lake Elsinore Community Facilities District No. 95-1	100.000%	1,250,000	1,250,000
City of Lake Elsinore Community Facilities District No. 98-1	100.000%	17,605,000	17,605,000
City of Lake Elsinore Community Facilities District No. 2003-2	100.000%	32,400,000	32,400,000
City of Lake Elsinore Community Facilities District No. 2004-3	100.000%	45,750,000	45,750,000
City of Lake Elsinore Community Facilities District No. 2005-1	100.000%	8,975,000	8,975,000
City of Lake Elsinore Community Facilities District No. 2005-2	100.000%	24,575,000	24,575,000
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%	3,510,000	3,510,000
City of Lake Elsinore Community Facilities District No. 2006-2	100.000%	7,255,000	7,255,000
City of Lake Elsinore 1915 Act Bonds	100.000%	20,218,325	20,218,325
Total overlapping tax and assessment debt			<u>\$ 237,349,511</u>
Direct and Overlapping General Fund Debt:			
Riverside County General Fund Obligations	1.374%	\$ 736,427,761	10,118,517
Riverside County Pension Obligations	1.374%	375,100,000	5,153,874
Riverside County Board of Education Certificates of Participation	1.374%	7,240,000	99,478
Mount San Jacinto Community College District General Fund Obligations	3.614%	12,470,000	450,666
Lake Elsinore Unified School District Certificates of Participation	28.196%	38,895,000	10,966,834
Perris Union High School District General Fund Obligations	0.763%	32,440,000	247,517
Menifee and Perris School District Certificates of Participation	1.133 & 0.385 %	15,315,000	108,331
City of Lake Elsinore General Fund Obligations	100.000%	13,740,000	13,740,000
Elsinore Water District Certificates of Participation	47.570%	283,874	135,039
Ortega Trail Recreation and Park District Certificates of Participation	38.771%	210,000	81,419
Total gross direct and overlapping general fund debt			<u>41,101,675</u>
Less: Riverside County General Fund self-supporting obligations			<u>207,783</u>
Total net direct and overlapping general fund debt			<u>40,893,892</u>
Gross combined total debt (2)			<u>\$ 278,451,186</u>
Net total direct and overlapping debt			<u>\$ 278,243,403</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			
	2001	2002	2003	2004
Assessed valuation	\$ 1,346,900,000	\$ 1,525,792,000	\$ 1,626,026,872	\$ 1,907,367,963
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	336,725,000	381,448,000	406,506,718	476,841,991
Debt limit percentage	15%	15%	15%	15%
Debt limit	50,508,750	57,217,200	60,976,008	71,526,299
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	\$ 50,508,750	\$ 57,217,200	\$ 60,976,008	\$ 71,526,299
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					
2005	2006	2007	2008	2009	2010
\$ 2,243,178,491	\$ 2,851,510,537	\$ 3,648,621,060	\$ 4,887,272,022	\$ 4,886,177,664	\$ 4,019,961,300
25%	25%	25%	25%	25%	25%
560,794,623	712,877,634	912,155,265	1,221,818,006	1,221,544,416	1,004,990,325
15%	15%	15%	15%	15%	15%
84,119,193	106,931,645	136,823,290	183,272,701	183,231,662	150,748,549
-	-	-	-	-	-
<u>\$ 84,119,193</u>	<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>
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		
2001	\$ 7,564,231	\$ 1,364,959	\$ 3,694,508	1.50	\$ 60,955,000
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

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)
2001	28,930	\$ 474,681	\$ 16,408	5.20%
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%

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	2010		2001	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Lake Elsinore Unified School District	1,060	6.34%	-	0.00%
Walmart	200	1.20%	245	2.45%
Costco	200	1.20%	-	0.00%
Lake Elsinore Storm Baseball	200	1.20%	250	2.50%
Shirt WERX / Innovative Merchandising	160	0.96%	-	0.00%
Home Depot	160	0.96%	-	0.00%
Target	160	0.96%	-	0.00%
Riverside Public Social Service	160	0.96%	-	0.00%
Lake Elsinore Hotel & Casino	150	0.90%	200	2.00%
State Bros Markets	140	0.84%	136	1.36%
Elsinore Valley Water District	120	0.72%	-	0.00%
Lake Chevrolet	116	0.69%	46	0.46%
Pacific Clay Products, Inc.	101	0.60%	130	1.30%
Lake Elsinore Ford	101	0.60%	60	0.60%
Lowe's	100	0.60%	-	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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	17	18	17	19	18	21	26	26	20	20
Community Services (includes Public works)	34	36	34	37	36	41	52	52	41	42
Community development	16	17	17	18	17	20	23	23	21	14
Total	<u>67</u>	<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>

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			
	2001	2002	2003	2004
Police:				
Lake related boating enforcement citations	1,160	1,048	1,091	800
Hazardous traffic violations	n/a	597	519	1,533
DUI arrests	n/a	n/a	n/a	n/a
Fire:				
Calls	n/a	n/a	n/a	3,120
Fire suppression equipment	n/a	n/a	n/a	3
Public works:				
Centerline miles of paved surface streets maintained	129	129	135	140
Centerline miles of dirt surface streets maintained	n/a	n/a	21	21
Weed abatement-lots cleaned	936	890	860	890
Community Development:				
Construction permits issued	989	1,549	1,838	2,361
Property value per permits (estimated in 000's)	\$ 68,503	\$ 126,600	\$ 159,346	\$ 153,186
New home building permits issued	301	844	550	766
Parks and recreation:				
Daily lake use passes sold	36,714	35,700	26,550	28,500

n/a=not available

Fiscal Year					
2005	2006	2007	2008	2009	2010
703	808	625	100	n/a	444
1,500	2,376	2,500	5,000	n/a	1,561
n/a	n/a	n/a	n/a	n/a	261
3,391	3,610	3,567	3,778	3,876	n/a
3	3	3	3	3	n/a
140	140	143	155	174	173
21	13	12	10	9	9
552	706	700	581	390	365
3,516	4,260	2,527	1,604	505	771
\$ 242,988	\$ 462,204	\$ 153,013	\$ 78,680	\$ 21,474	\$ 42,848
1,317	1,355	450	74	43	211
26,530	34,835	32,018	36,000	25,230	23,765

CITY OF LAKE ELSINORE
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	1	1	2	2	3	3	3	3	3	3
Public works:										
Street (miles)	153.3	153.3	153.3	153.3	153.3	156	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	12	15	15	15	15
Beaches and Recreation Facilities	n/a	n/a	8	8	8	8	8	8	8	8
Libraries	1	1	1	1	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