



Comprehensive
Annual
Financial
Report

YEAR ENDED
JUNE 30, 2008



DOWNTOWN
MASTER PLAN

CITY OF
LAKE  EL SINORE
REDEVELOPMENT
AGENCY

CITY OF LAKE ELSINORE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE YEAR ENDED JUNE 30, 2008

Prepared By: Department of Administrative Services

CITY OF LAKE ELSINORE, CALIFORNIA

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CITY OF LAKE ELSINORE, CALIFORNIA

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CITY OF LAKE ELSINORE, CALIFORNIA

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INTRODUCTORY SECTION

December 10, 2008

Honorable Mayor and City Council
Lake Elsinore, California

Submitted for your information and consideration is the June 30, 2008 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
December 10, 2008

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
December 10, 2008

Fund Descriptions

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

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

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

Budgetary Control and Accounting Basis

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

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

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

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

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

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

Honorable Mayor and City Council
December 10, 2008

General Government Operations

Revenue for the governmental fund types totaled \$84,936,720 for fiscal year 2007-08. The amount of revenues from various sources is shown in the following tabulation and represents an overall decrease of \$35,677,485 from the 2006-07 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	44,049,148	51.9%	6,860,671	18.4%
Licenses, permits and fees	6,266,086	7.4%	(1,509,391)	(19.4%)
Intergovernmental revenues	4,109,188	4.8%	1,409,003	52.2%
Charges for services	4,579,433	5.4%	(1,212,257)	(20.9%)
Fines and forfeitures	918,619	1.1%	318,725	53.1%
Investment income	14,237,891	16.8%	(3,030,954)	(17.6%)
Special assessments	1,422,754	1.7%	58,241	4.3%
Contribution from property owners	2,159,798	2.5%	(39,925,718)	(94.9%)
Other	<u>7,193,803</u>	8.4%	<u>1,354,195</u>	23.2%
TOTAL	<u>\$84,936,720</u>		<u>(\$35,677,485)</u>	(94.9%)

Significant revenue increases in the Governmental Fund Types occurred in property taxes and intergovernmental revenue. Property taxes still reflected the strong development activity that had occurred in previous years and assessed values did not reflect the downturn in the housing market that occurred in late 2007. The increase in intergovernmental revenue reflects an increase in revenue received through increased grant funding. Significant revenue decreases occurred in licenses, permits and fees, investment income and contribution from property owners as a result of the continued slowing of new building permits in the current year, the decrease of interest rates for investments and the significant decrease in assessment bonds issued for construction projects in fiscal year 2007-08.

Expenditures for governmental purposes totaled \$113,730,260 for fiscal year 2007-08. 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	6,054,250	5.3%	(2,494,356)	(29.2%)
Public safety	14,293,270	12.6%	2,607,112	22.3%
Community development	5,852,808	5.1%	2,371,530	68.1%
Public services	10,538,224	9.3%	2,106,522	25.0%
Community services	2,837,630	2.5%	(3,226,117)	(53.2%)
Pass-through payments	9,878,294	8.7%	2,871,595	41.0%
Capital expenditures	49,056,332	43.1%	23,819,671	94.4%
Bond issue costs	1,213,789	1.1%		
Debt service and costs	<u>14,005,663</u>	12.3%	<u>(2,466,813)</u>	(15.0%)
TOTAL	<u>\$113,730,260</u>		<u>\$26,802,933</u>	30.8%

Honorable Mayor and City Council
December 10, 2008

The overall expenditure increase for the governmental fund types totaled \$26,802,933. Increases in public safety, community development (related to the Redevelopment Agency), public services, pass-through payments and one-time capital expenditures are offset by decreases in general government, community services and debt service.

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 average yield on maturing investments during the year is approximately 4.94%.

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, 2008. However, three capital leases exist with a total outstanding balance of \$93,478.

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. The City has applied the current and prior year surplus resources to use by improving the level of service to the community and by adding new infrastructure projects for the community.

Honorable Mayor and City Council
December 10, 2008

Public Safety

The City Council has made public safety its number one operating budget priority. The public safety budget increased \$2,607,112 amounting to 22.3% of the total increase in the General Fund operating budget. The Public Safety Advisory Commission also continues to be funded and active. The mission is to provide analysis and recommendations on Emergency Preparedness, Lake Safety, Public Safety and Technology Grants and Public Education and Outreach. A new fire station is also being planned to better equip the City to respond to fire and paramedic calls.

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; employing a Washington, D.C. lobbyist to pursue Federal transportation earmarks through the appropriations process; and updating the City's General Plan, including the circulation element. Major projects completed during the year included the Franklin Street overlay project, bicycle & pedestrian street 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.

Certificate of Award

The City's financial report for fiscal year 2006-07 received a Certificate of Award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers.

Honorable Mayor and City Council
December 10, 2008

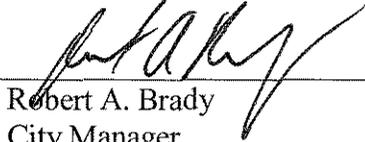
Acknowledgments

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.

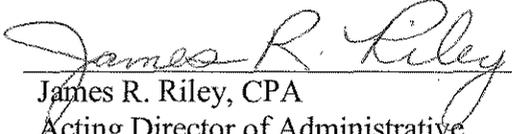
The Mayor, members of the City Council and Management are to be commended for their interest and support in conducting financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

CITY OF LAKE ELSINORE



Robert A. Brady
City Manager



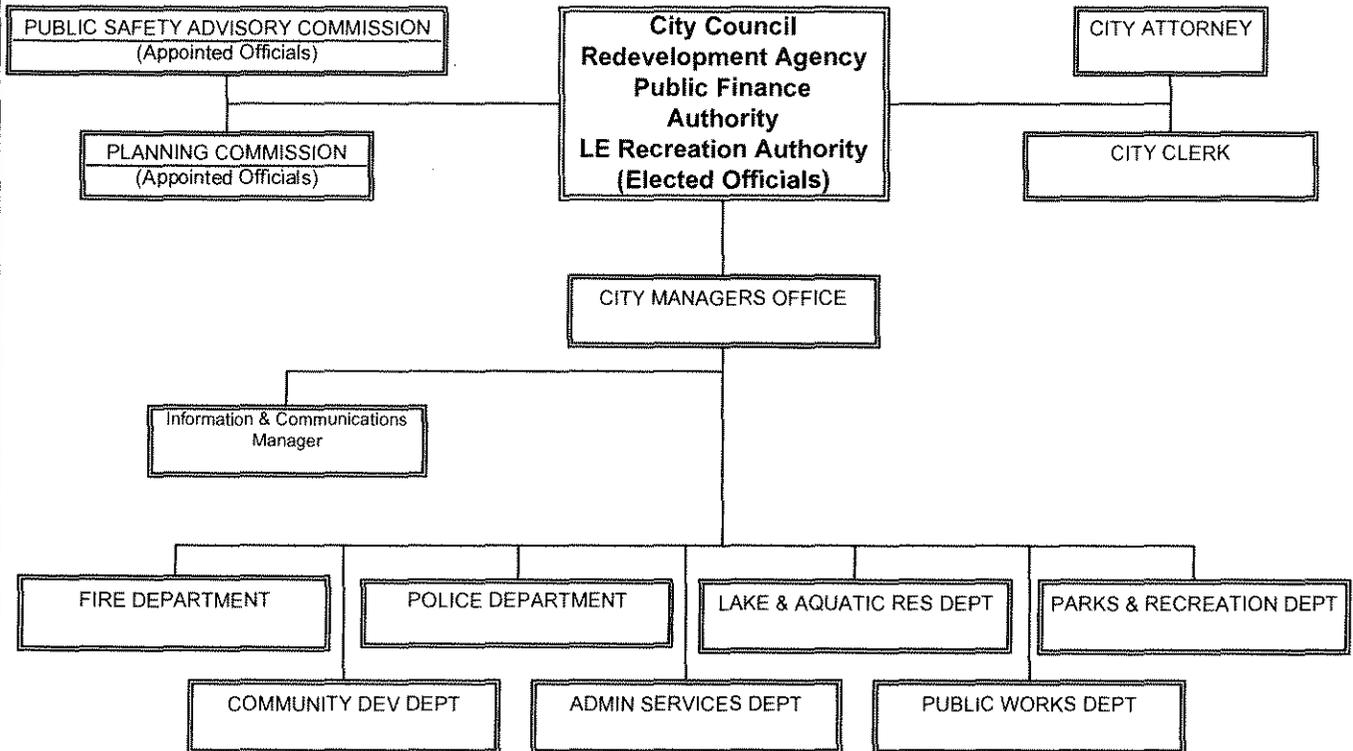
James R. Riley, CPA
Acting Director of Administrative
Services



City of Lake Elsinore

2007-2008 Organizational Chart

June 30, 2008



**CITY OF LAKE ELSINORE
DIRECTORY OF OFFICIALS***

June 30, 2008

ELECTED OFFICIALS

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

ADMINISTRATION

Robert A. Brady	City Manager
Carol Cowley	Interim City Clerk
Barbara Liebold	City Attorney
Ray Gonzales	Director of Parks and Recreation
Pat Kilroy	Director of Lake and Aquatic Resources
James R. Riley	Acting Director of Administrative Services
Ken Seumalo	Director of Public Works
Thomas Weiner	Acting Director of Community Development

**At date of issuance*

*California Society of
Municipal Finance Officers*

Certificate of Award

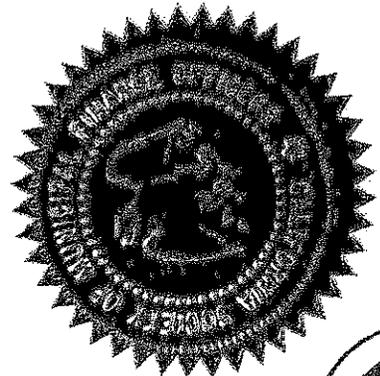
Outstanding Financial Reporting 2006-07

Presented to the

City of Lake Elsinore

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

June 2008



Jesse Takahashi

Jesse Takahashi
Professional and Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

FINANCIAL SECTION



DIEHL, EVANS & COMPANY, LLP
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KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA

*A PROFESSIONAL CORPORATION

November 21, 2008

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, 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Elsinore, as of June 30, 2008, 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.

- 1 -

OTHER OFFICES AT:

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In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2008 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 and the other required supplementary information identified in the accompanying 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. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion are 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 opinions on the financial statements that collectively comprise the City of Lake Elsinore's basic financial statements. The introductory section, supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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, 2008. 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 \$181,236,969 (*net assets*). Of this amount, negative \$96,240,481 (*unrestricted net assets*), if it were positive, may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,063,486. The increase is attributable to a variety of cost controlling measures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,285,492 or 28.8 percent of total General Fund expenditures. City Council has designated \$5,000,000 of the \$9,285,492 for future contingencies.
- The City of Lake Elsinore's total debt had a net decrease of \$980,081 during the current fiscal year. The net decrease includes \$908,058 of payments on long-term bonds, developer agreements, loans and capital leases. The increases included \$72,023 occurred in 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 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, 2008

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, 2008

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 37 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, Public Financing Authority Debt Service Fund, the Assessment Districts Capital Projects Fund and the Redevelopment Agency Capital Projects Fund, which are considered to be major funds. Data from the other 31 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 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 financial statements can be found on pages 26 -76 of this report.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

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 77 of this report. The combining statements referred to earlier in connecting with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 83 - 120 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 \$181,236,969 at the close of the most recent fiscal year.

Condensed Statements of Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 188,227,797	\$ 214,337,195
Capital assets	<u>140,492,299</u>	<u>112,296,428</u>
Total Assets	<u>328,720,096</u>	<u>326,633,623</u>
Liabilities:		
Long-term debt outstanding	131,708,736	130,728,655
Other liabilities	<u>15,774,391</u>	<u>17,731,485</u>
Total Liabilities	<u>147,483,127</u>	<u>148,460,140</u>
Net Assets:		
Invested in capital assets, net of related debt	125,539,928	97,369,896
Restricted	151,937,522	173,307,658
Unrestricted	<u>(96,240,481)</u>	<u>(92,504,071)</u>
Total Net Assets	<u>\$ 181,236,969</u>	<u>\$ 178,173,483</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For the City of Lake Elsinore, 69.3% of the net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, 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 (83.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (negative \$96,240,481 or negative 53.1%), if it were positive, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake Elsinore is able to report positive balances in two of the three categories of net assets for the government as a whole, as well as for its separate governmental activities. Unrestricted net assets for the government as a whole, was a negative \$96,240,481. The major reason for the negative net assets relates to long-term obligations.

The government's net assets increased by \$ 3,063,486 during the current fiscal year. The increase is attributable to a variety of cost controlling measures.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statements of Revenues,
Expenses and Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 12,268,274	\$ 14,931,680
Operating grants and contributions	4,109,188	5,043,547
Capital grants and contributions	2,159,798	42,085,516
General Revenues:		
Taxes:		
Property taxes	33,307,785	26,685,369
Sales taxes	8,148,355	7,836,334
Franchise taxes	1,768,178	1,688,010
Other taxes	770,024	1,020,788
Fines, forfeitures and penalties	918,619	599,894
Investment income	14,271,312	17,220,975
Miscellaneous	<u>7,193,803</u>	<u>5,839,608</u>
Total Revenues	<u>66,378,076</u>	<u>122,951,721</u>
Expenses:		
General government	8,195,897	10,414,729
Public safety	14,293,269	11,686,158
Community development	32,342,175	21,514,552
Public services	10,861,673	9,867,133
Community services	6,013,006	6,801,741
Interest on long-term debt	<u>10,145,830</u>	<u>11,531,570</u>
Total Expenses	<u>81,851,850</u>	<u>71,815,883</u>
Change in net assets	3,063,486	51,135,838
Net assets at beginning of year, as restated	<u>178,173,483</u>	<u>127,037,645</u>
Net assets at end of year	<u>\$ 181,236,969</u>	<u>\$ 178,173,483</u>

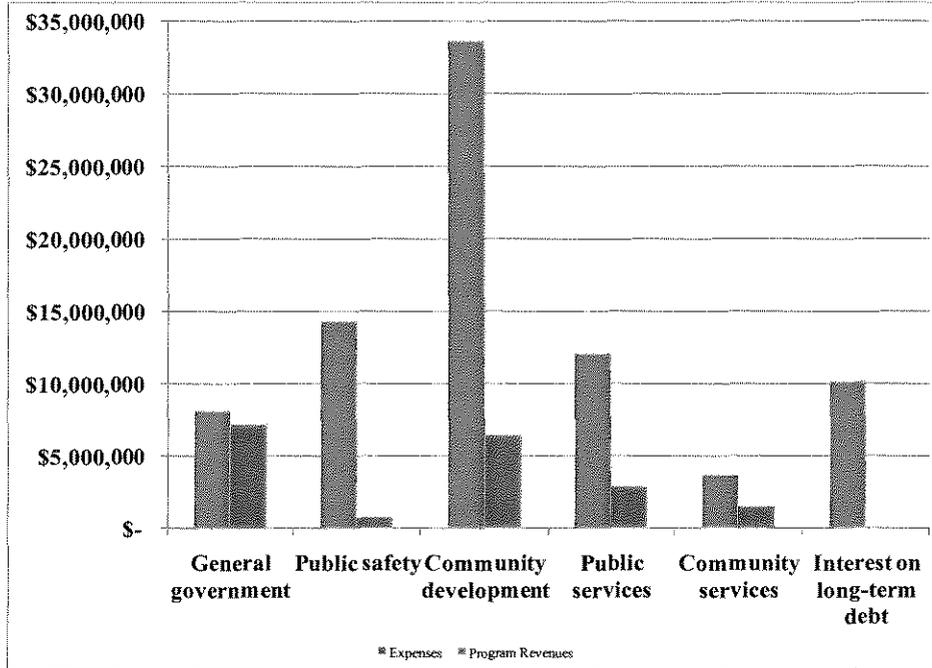
See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

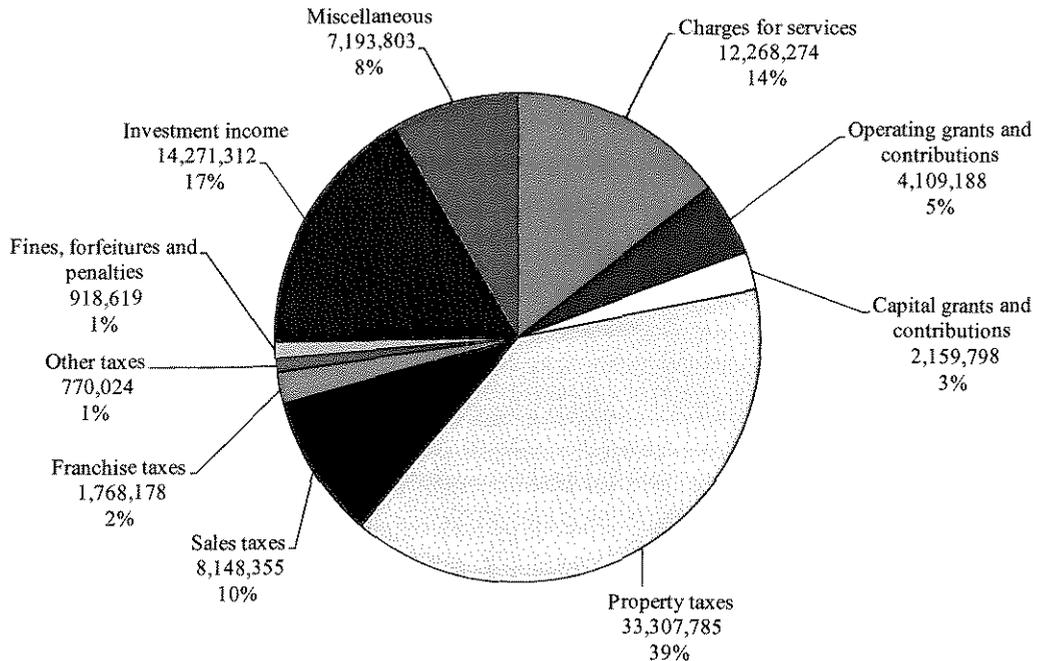
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

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, 2008

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.

Government 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 \$221,213,412, a decrease of \$25,184,530 in comparison with the prior year. Of the \$221,213,412 ending fund balance, \$23,466,189 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 (\$65,688,331); 2) to liquidate contracts and purchase orders of the prior period (\$2,291,374); 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 (\$153,233,707).

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 \$9,285,492, while total fund balance was \$18,761,847. 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 fund balance represents 28.8% of total General Fund expenditures, while total fund balance represents 58.1% of that same amount.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The fund balance of the City of Lake Elsinore's General Fund decreased by \$1,671,368 during the current fiscal year. Key factors in this decrease are as follows:

- City Council approved \$2,461,753 of one-time capital expenditures as transfers out of the General Fund to capital project funds
- Overall, revenue decreased by \$605,251 or 2% and expenditures increased by \$1,099,146, or 4%
- Public safety had the largest increase of \$2,607,111 or 22%
- General government had the only other increase of \$225,690 or 4%
- Charges for services revenues had the largest decrease of \$1,212,257 or -21%

Other notable changes in General Fund revenue and expenditures are as follows:

- Property taxes had the largest increased of \$1,250,594 or 22%
- Other taxes revenue increased by of \$238,255 or 2%
- Miscellaneous revenue increased by \$372,350 or 10%
- Transfers in had the largest increase of \$2,263,330 or 325%
- Community services had the largest decrease of \$842,416 or -14%
- Public services had the second largest decreased of \$ 588,076 or -14%
- Capital outlay decreased by \$214,035 or -65%
- Transfers out decreased by \$1,174,639 or -32%

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget was a \$2,764,762 decrease and can be briefly summarized as follows:

- \$34,176 in decreases in general government activities
- \$176,000 in decreases allocated for public safety
- \$318,343 decreases in community development
- \$297,552 decreases in public services
- \$175,779 in decreases to the community services
- \$619,068 in decreases in capital outlay
- \$1,143,844 in decreases in transfers out for one-time capital items

The total decreases amounted to \$2,764,762. During the year, expenditures were slightly more than budgetary estimates by \$142,108, or 99.6% on budget.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

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, 2008, amounts to \$140,492,299 (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 25%.

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

- Franklin Street Overlay
- Senior Center remodel and flooring
- Tuscany Park play equipment
- Lakepoint Park play equipment
- City Park play equipment replacement
- New infrastructure in Alberhill Hill development area
- New infrastructure in Canyon Hills development area
- Bicycle & Pedestrian St. Improvements
- Other improvements and maintenance of City-owned streets

Capital Assets at Year-End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 5,366,147	\$ 5,290,223
Construction in progress	2,523,267	1,962,618
Buildings and structures	15,506,293	15,978,942
Improvements other than buildings	4,203,330	3,999,500
Machinery and equipment	490,649	523,887
Furniture and fixtures	137,032	74,308
Automotive equipment	733,932	733,864
Infrastructure	<u>111,531,649</u>	<u>83,733,086</u>
Totals	<u>\$ 140,492,299</u>	<u>\$ 112,296,428</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, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At year-end, the City has a number of debt issues outstanding. These issues include \$58.7 million of local agency revenue bonds, \$54.0 million of tax allocation bonds, \$14.4 million of revenue refunding bonds, \$2.9 million of disposition and development agreements debt, \$.7 million of owner participation agreement debt, \$.4 million of loans payable, and \$.01 million of capitalized lease obligations. The City has maintained its AAA rating from Standard and Poor's Corporation and an A-1+ rating from Moody's Investor Service on \$14.4 million revenue refunding bond issue. General long-term debt decreased by \$2.7 million as a result of the normal scheduled principal maturities. The public financing authority also refund the 1997 Series F local agency revenue bonds. The advance refunding resulted in an economic gain of \$3,145,273 and a decrease in cash flows of \$4,693,375. The interest rates range between 3.5% and 4.3%.

Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Local agency revenue bonds	\$ 58,755,000	\$ 55,845,000
Tax allocation bonds	54,010,000	55,175,000
Deferred amounts	(93,958)	-
Revenue refunding bonds	14,435,000	14,760,000
Disposition and development agreements	2,893,059	3,082,068
Owner participation agreements	742,198	851,582
Loans payable	356,589	403,126
Capital leases	93,478	166,532
Compensated absences	<u>517,370</u>	<u>445,347</u>
Totals	<u>\$ 131,708,736</u>	<u>\$ 130,728,655</u>

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate Riverside County was 10% in October 2008 with construction jobs being the leading cause
- Inflationary trends in the region have slowed and continue to compare to national indices
- The foreclosure trend and property reassessments have significantly impacted property tax revenue
- The retail sales trends have significantly declined and the projections are expected to continue to decline during the next year
- New commercial and industrial plans and construction continue to occur
- New residential has building has basically stopped

These factors were considered in preparing the City of Lake Elsinore's budget for the 2008-09 fiscal year and in projecting out five years.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$ 9,285,492. The City of Lake Elsinore has appropriated a portion of this amount for spending in the 2008-09 fiscal year budget for a new fire station and some other one-time capital projects. The RDA also owes the City's General Fund \$8,133,754 as of June 30, 2008, which is available to pay back and help the General Fund through the current economic down turn.

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, 2008

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments (Note 2)	\$ 71,271,800
Accounts receivable	1,040,049
Accrued interest receivable	1,981,272
Due from other governments	7,396,661
Prepaid and other assets	548,799
Land held for resale (Note 4)	4,804,688
Unamortized bond issuance costs	3,179,056
Restricted assets (Note 2):	
Cash and investments with fiscal agents	98,005,472
Capital assets, not depreciated (Note 3)	7,889,414
Capital assets, depreciated, net (Note 3)	<u>132,602,885</u>
TOTAL ASSETS	<u>328,720,096</u>
LIABILITIES:	
Accounts payable	5,797,346
Accrued liabilities	173,122
Other payroll liabilities	136,439
Deposits and other liabilities	1,700
Due to other governments	5,881,298
Interest payable	1,958,558
Unearned revenue	1,825,928
Noncurrent liabilities (Note 6):	
Due within one year	3,851,170
Due in more than one year	<u>127,857,566</u>
TOTAL LIABILITIES	<u>147,483,127</u>
NET ASSETS:	
Invested in capital assets, net of related debt	125,539,928
Restricted for:	
Debt service	62,810,744
Specific programs	41,752,951
Specific capital projects	47,373,827
Unrestricted (deficit)	<u>(96,240,481)</u>
TOTAL NET ASSETS	<u><u>\$ 181,236,969</u></u>

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

CITY OF LAKE ELSINORE, CALIFORNIA

STATEMENT OF ACTIVITIES

June 30, 2008

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	\$ 8,195,897	\$ 6,885,167	\$ 278,984	\$ -	\$ (1,031,746)
Public safety	14,293,269	-	717,987	-	(13,575,282)
Community development	32,342,175	3,960,353	304,079	2,159,798	(25,917,945)
Public services	10,861,673	-	2,808,138	-	(8,053,535)
Community services	6,013,006	1,422,754	-	-	(4,590,252)
Interest on long-term debt	10,145,830	-	-	-	(10,145,830)
Total governmental activities	\$ 81,851,850	\$ 12,268,274	\$ 4,109,188	\$ 2,159,798	(63,314,590)

General revenues:

Taxes:

Property taxes 33,307,785

Sales taxes 8,148,355

Franchise taxes 1,768,178

Other taxes 770,024

Fines, forfeitures and penalties 918,619

Investment income 14,271,312

Miscellaneous 7,193,803

Total general revenues 66,378,076

Change in net assets 3,063,486

NET ASSETS - BEGINNING OF YEAR 178,173,483

NET ASSETS - END OF YEAR \$ 181,236,969

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

CITY OF LAKE ELSINORE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

ASSETS	General Fund	Redevelopment	Debt Service Funds	
		Agency Special Revenue Fund	Redevelopment Agency	Public Financing Authority
Cash and investments	\$ 9,234,108	\$ 17,796,765	\$ 14,334,176	\$ 439,270
Cash and investments with fiscal agents	-	309,629	3,113,659	62,347,599
Accounts receivable	966,313	-	-	-
Accrued interest receivable	54,965	87,889	128,041	11,330
Loans receivable (Note 5)	-	-	-	52,950,547
Due from other funds (Note 12)	3,250,039	-	4,809,388	-
Due from other governments	1,986,905	150,014	568,934	2,934,966
Advances to other funds (Note 12)	8,133,755	11,852,396	-	-
Prepaid and other assets	487,885	-	60,914	-
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ 24,113,970	\$ 30,196,693	\$ 23,015,112	\$ 118,683,712
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,997,598	\$ 8,381	\$ 1,124,130	\$ -
Accrued liabilities	173,122	-	-	-
Other payroll liabilities	136,439	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds (Note 12)	-	75,000	1,548,268	-
Due to other governments	169,902	-	5,666,347	45,049
Advances from other funds (Notes 8 and 12)	-	-	19,986,151	-
Deferred revenue	875,062	-	-	-
TOTAL LIABILITIES	5,352,123	83,381	28,324,896	45,049
FUND BALANCES (DEFICIT):				
Reserved (Note 13):				
Debt service	-	-	-	65,688,116
Encumbrances	110,045	-	-	-
Specific projects	744,670	-	-	-
Loans receivable	-	-	-	52,950,547
Advances to other funds	8,133,755	11,852,396	-	-
Low and moderate income housing	-	18,260,916	-	-
Prepaid expenditures	487,885	-	60,914	-
Land held for resale	-	-	-	-
Unreserved, Reported in:				
General fund	9,285,492	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	(5,370,698)	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	18,761,847	30,113,312	(5,309,784)	118,638,663
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,113,970	\$ 30,196,693	\$ 23,015,112	\$ 118,683,712

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

<u>Capital Projects Funds</u>			
<u>Assessment Districts</u>	<u>Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 207,391	\$ 884,295	\$ 28,375,795	\$ 71,271,800
32,234,370	-	215	98,005,472
-	5,044	68,692	1,040,049
46,509	-	173,467	502,201
-	-	-	52,950,547
-	-	-	8,059,427
-	-	1,755,842	7,396,661
-	-	-	19,986,151
-	-	-	548,799
-	4,804,688	-	4,804,688
<u>\$ 32,488,270</u>	<u>\$ 5,694,027</u>	<u>\$ 30,374,011</u>	<u>\$ 264,565,795</u>
\$ 14,953	\$ 28,457	\$ 623,827	\$ 5,797,346
-	-	-	173,122
-	-	-	136,439
-	-	1,700	1,700
1,570	5,665,570	769,019	8,059,427
-	-	-	5,881,298
-	-	-	19,986,151
-	-	2,441,838	3,316,900
<u>16,523</u>	<u>5,694,027</u>	<u>3,836,384</u>	<u>43,352,383</u>
-	-	215	65,688,331
-	-	2,181,329	2,291,374
32,471,747	-	-	33,216,417
-	-	-	52,950,547
-	-	-	19,986,151
-	-	-	18,260,916
-	-	-	548,799
-	4,804,688	-	4,804,688
-	-	-	9,285,492
-	-	10,731,428	10,731,428
-	-	(4,307)	(5,375,005)
-	(4,804,688)	13,628,962	8,824,274
<u>32,471,747</u>	<u>-</u>	<u>26,537,627</u>	<u>221,213,412</u>
<u>\$ 32,488,270</u>	<u>\$ 5,694,027</u>	<u>\$ 30,374,011</u>	<u>\$ 264,565,795</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, 2008

Fund balances for governmental funds		\$ 221,213,412
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Interfund loans receivable not reported in the Statement of Net Assets.		(52,950,547)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		140,492,299
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:		
Unamortized bond issuance costs	\$ 3,179,056	
Deferred amount	357,023	
Bond premium	(263,065)	
Interest payable	(1,958,558)	
Long-term liabilities	<u>(131,802,694)</u>	(130,488,238)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements		
Interest receivable	\$ 1,479,071	
Due from other governments	<u>1,490,972</u>	<u>2,970,043</u>
Net assets of governmental activities		<u>\$ 181,236,969</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, 2008

	General Fund	Redevelopment Agency Special Revenue Fund	Debt Service Funds	
			Redevelopment Agency	Public Financing Authority
REVENUES:				
Property taxes	\$ 6,823,418	\$ 5,296,873	\$ 21,187,494	\$ -
Other taxes	10,741,363	-	-	-
Licenses, permits and fees	2,305,734	-	-	-
Intergovernmental revenues	278,984	-	-	-
Charges for services	4,579,433	-	-	-
Fines, forfeitures and penalties	589,207	-	-	-
Investment income	874,707	487,831	701,858	8,978,973
Special assessments	-	-	-	-
Contribution from property owners	-	-	-	-
Miscellaneous	3,920,199	-	-	-
TOTAL REVENUES	30,113,045	5,784,704	21,889,352	8,978,973
EXPENDITURES:				
Current:				
General government	5,802,925	-	-	35,537
Public safety	14,293,269	-	-	-
Community development	3,194,113	-	1,355,184	-
Public services	3,578,130	-	-	-
Community services	5,221,331	-	-	-
Pass-through payments	-	-	9,878,294	-
Capital outlay	113,582	101,577	-	-
Bond issuance costs	-	-	-	1,213,789
Debt service:				
Principal retirement	73,054	-	1,509,930	1,965,000
Interest and fiscal charges	6,586	-	3,663,448	6,025,858
TOTAL EXPENDITURES	32,282,990	101,577	16,406,856	9,240,184
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,169,945)	5,683,127	5,482,496	(261,211)
OTHER FINANCING SOURCES (USES):				
Transfers in	2,960,330	-	-	-
Transfers out	(2,461,753)	-	(846,521)	-
Premium on bonds	-	-	-	274,026
Bond discount	-	-	-	(3,117)
Refunding bonds issued	-	-	-	22,295,000
Repayment to bond escrow agent	-	-	-	(22,221,899)
Capital debt issued	-	-	-	3,265,000
TOTAL OTHER FINANCING SOURCES (USES)	498,577	-	(846,521)	3,609,010
NET CHANGE IN FUND BALANCES	(1,671,368)	5,683,127	4,635,975	3,347,799
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	20,433,215	24,430,185	(9,945,759)	115,290,864
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 18,761,847	\$ 30,113,312	\$ (5,309,784)	\$ 118,638,663

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

Capital Projects Funds			
Assessment Districts	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 33,307,785
-	-	-	10,741,363
-	-	3,960,352	6,266,086
-	-	3,830,204	4,109,188
-	-	-	4,579,433
-	-	329,412	918,619
1,956,370	34,355	1,203,797	14,237,891
62,013	-	1,360,741	1,422,754
2,159,798	-	-	2,159,798
497,671	-	2,775,933	7,193,803
<u>4,675,852</u>	<u>34,355</u>	<u>13,460,439</u>	<u>84,936,720</u>
297,239	-	54,645	6,190,346
-	-	-	14,293,269
-	-	-	4,549,297
-	-	5,743,809	9,321,939
-	-	-	5,221,331
-	-	-	9,878,294
44,716,476	880,876	3,243,821	49,056,332
-	-	-	1,213,789
-	-	325,000	3,872,984
-	-	436,787	10,132,679
<u>45,013,715</u>	<u>880,876</u>	<u>9,804,062</u>	<u>113,730,260</u>
<u>(40,337,863)</u>	<u>(846,521)</u>	<u>3,656,377</u>	<u>(28,793,540)</u>
-	846,521	2,606,040	6,412,891
-	-	(3,104,617)	(6,412,891)
-	-	-	274,026
-	-	-	(3,117)
-	-	-	22,295,000
-	-	-	(22,221,899)
-	-	-	3,265,000
-	846,521	(498,577)	3,609,010
<u>(40,337,863)</u>	-	<u>3,157,800</u>	<u>(25,184,530)</u>
<u>72,809,610</u>	-	<u>23,379,827</u>	<u>246,397,942</u>
<u>\$ 32,471,747</u>	<u>\$ -</u>	<u>\$ 26,537,627</u>	<u>\$ 221,213,412</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, 2008

Net change in fund balances - total governmental funds \$(25,184,530)

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	\$ 32,460,808	
Depreciation expense	<u>(4,264,937)</u>	
		28,195,871

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	\$ 3,872,984	
Bonds issued	(25,560,000)	
Payment to bond escrow agent	22,221,899	
Bond issue costs	1,213,789	
Bond premium	<u>(274,026)</u>	
		1,474,646

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	\$ (121,256)	
Amortization bond premium	10,961	
Amortization of deferred amount on refunding	(14,876)	
Interest and fiscal charges	115,136	
Compensated absences	<u>(72,023)</u>	
		(82,058)

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	\$ 33,422	
Taxes and intergovernmental revenue	<u>(1,373,865)</u>	
		<u>(1,340,443)</u>

Change in net assets of governmental activities \$ 3,063,486

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, 2008

ASSETS		
Cash and investments		\$ 17,036,866
Cash and investments with fiscal agents		19,363,343
Accrued interest receivable		87,205
Due from other governments		<u>1,544,779</u>
TOTAL ASSETS		<u>\$ 38,032,193</u>
LIABILITIES		
Accounts payable		\$ 218,150
Deposits and other liabilities		5,143,740
Due to other governments		3,098,675
Due to bondholders		<u>29,571,628</u>
TOTAL LIABILITIES		<u>\$ 38,032,193</u>

See independent auditors' report and notes to basic financial statements

CITY OF LAKE ELSINORE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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, 2008 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, 2008

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, 2008

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, 2008

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, 2008

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, 2008

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.

The Assessment Districts Capital Projects Fund is used to account for transactions related to proceeds from assessment bonds and other resources used to acquire and construct certain capital facilities.

The Redevelopment Agency Capital Project Fund is used 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.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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

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 \$221,213,412 differs from "net assets" of governmental activities \$181,236,969 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>\$ (52,950,547)</u>
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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>\$ 140,492,299</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 at July 1, 2008	\$ 2,086,523
Additions	1,213,789
Amortization	<u>(121,256)</u>
Unamortized bond issuance costs	<u>\$ 3,179,056</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 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	\$ (1,958,558)
Long-term liabilities	(131,802,694)
Deferred amounts on refunding	357,023
Bond premiums	<u>(263,065)</u>
Long-term debt transactions	<u>\$ (133,667,294)</u>

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	\$ 1,479,071
Due from other governments	<u>1,490,972</u>
Long-term receivables	<u>\$ 2,970,043</u>

Reclassification and Eliminations

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 \$(25,184,530) differs from the “change in net assets” for governmental activities \$3,063,486 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	\$ 32,460,808
Depreciation	<u>(4,264,937)</u>
	<u>\$ 28,195,871</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.

Capital debt issued	\$ (3,265,000)
Refunding bonds issued	(22,295,000)
Long-term debt principal payments, including interfund loans	<u>3,872,984</u>
	<u>\$ (21,687,016)</u>

Bond Issuance Costs

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

Bond issue costs	\$ 1,213,789
Amortization of bond issuance costs	<u>(121,256)</u>
	<u>\$ 1,092,533</u>

See independent auditors’ report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 Premium

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

Bond premium	\$ (274,026)
Amortization of bond premium	<u>10,961</u>
	<u>\$ (263,065)</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>\$ 115,136</u>
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Deferred Amount on Refunding

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.

Principal retired	\$ (21,850,000)
Payment to bond escrow agency	22,221,899
Amortization	<u>(14,876)</u>
	<u>\$ 357,023</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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.

Compensated absences	\$ <u>(72,023)</u>
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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>92,280</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>(58,858)</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 and intergovernmental revenue	\$ <u>(1,373,865)</u>
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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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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

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, 2008 was \$517,370.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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

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.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. There is no interest expense incurred by the City for the year ended June 30, 2008.

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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

M. Property Tax Revenue:

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

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

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

N. 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.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2008 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of <u>Net Assets</u>	Fiduciary Fund Statement of <u>Net Assets</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 71,271,800	\$ 17,036,866	\$ 88,308,666
Restricted assets:			
Cash and investments with fiscal agents	<u>98,005,472</u>	<u>19,363,343</u>	<u>117,368,815</u>
Total Cash and Investments	<u>\$ 169,277,272</u>	<u>\$ 36,400,209</u>	<u>\$ 205,677,481</u>

Cash and investments at June 30, 2008 consisted of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	1,977,887
Investments	<u>203,698,294</u>
Total Cash and Investments	<u>\$ 205,677,481</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, 2008

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 (U.S.) Treasury Obligations	5 years	None	None
U.S. 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, U.S. Treasury Obligations, U.S. 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, 2008

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	\$ 74,575,664	\$ -	\$ -	\$ -	\$ 74,575,664
Investment Contracts	-	-	-	982,988	982,988
Local Obligation Bonds	1,536,637	1,948,505	7,157,008	47,452,647	58,094,797
U.S. Government Sponsored					
Enterprise Securities	1,000,000	-	6,000,000	-	7,000,000
Mutual Funds	63,044,845	-	-	-	63,044,845
	<u>\$140,157,146</u>	<u>\$ 1,948,505</u>	<u>\$ 13,157,008</u>	<u>\$ 48,435,635</u>	<u>\$203,698,294</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:

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.

See independent auditors' report.

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

June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued)

Investment Type	Total as of June 30, 2008	Minimum Legal Rating	AAA	A-	Unrated
Local Agency Investment Fund	\$ 74,575,664	N/A	\$ -	\$ -	\$ 74,575,664
Investment Contracts	982,988	(1)	-	982,988	-
Local Obligation Bonds	58,094,797	N/A	-	-	58,094,797
U.S. Government Sponsored					
Enterprise Securities	7,000,000	N/A	7,000,000	-	-
Mutual Funds	<u>63,044,845</u>	AAA	<u>63,044,845</u>	-	-
Total	<u>\$203,698,294</u>		<u>\$ 70,044,845</u>	<u>\$ 982,988</u>	<u>\$132,670,461</u>

N/A - Not Applicable

(1) As approved by the bond insurer

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:

Issuer	Investment Type	Reported Amount
Community Facilities District 88-3 West Lake Elsinore	Local Agency Bond	\$ 23,058,540
Community Facilities District 98-1 Bonds	Local Agency Bond	17,660,000

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.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued)

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2008, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$100,000 and the remaining balances were collateralized under California Law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (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, 2008 are as follows:

	City of Lake Elsinore	Redevelopment Agency	Public Financing Authority	Recreation Authority	Total
Deposits at carrying amount (1)	\$ 1,269,315	\$ 581,472	\$ 127,100	\$ -	\$ 1,977,887
Petty cash and change drawer	1,300	-	-	-	1,300
Local Agency Investment Fund	39,661,130	34,602,362	312,172	-	74,575,664
Investment Contracts	-	-	982,988	-	982,988
Local Obligation Bonds	2,673,610	-	55,421,187	-	58,094,797
U.S. Government Sponsored					
Enterprise Securities	7,000,000	-	-	-	7,000,000
Mutual Funds	52,160,604	4,940,604	5,943,422	215	63,044,845
Total Cash and Investments	<u>\$102,765,959</u>	<u>\$ 40,124,438</u>	<u>\$ 62,786,869</u>	<u>\$ 215</u>	<u>\$205,677,481</u>

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

3. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2008 is as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 5,290,223	\$ 75,924	\$ -	\$ 5,366,147
Construction in progress	<u>1,962,618</u>	<u>942,404</u>	<u>(381,755)</u>	<u>2,523,267</u>
Total capital assets, not being depreciated	<u>7,252,841</u>	<u>1,018,328</u>	<u>(381,755)</u>	<u>7,889,414</u>
Capital assets, being depreciated:				
Building and structures	22,827,835	18,577	-	22,846,412
Improvements other than buildings	7,632,914	433,316	-	8,066,230
Machinery and equipment	2,844,627	53,866	-	2,898,493
Furniture and fixtures	510,188	83,428	-	593,616
Automotive equipment	1,516,306	216,736	-	1,733,042
Infrastructure	<u>129,923,023</u>	<u>31,018,312</u>	<u>-</u>	<u>160,941,335</u>
Total capital assets being depreciated	<u>165,254,893</u>	<u>31,824,235</u>	<u>-</u>	<u>197,079,128</u>
Less accumulated depreciation for:				
Building and structures	(6,848,893)	(491,226)	-	(7,340,119)
Improvements other than buildings	(3,633,414)	(229,486)	-	(3,862,900)
Machinery and equipment	(2,320,740)	(87,104)	-	(2,407,844)
Furniture and fixtures	(435,880)	(20,704)	-	(456,584)
Automotive equipment	(782,442)	(216,668)	-	(999,110)
Infrastructure	<u>(46,189,937)</u>	<u>(3,219,749)</u>	<u>-</u>	<u>(49,409,686)</u>
Total accumulated depreciation	<u>(60,211,306)</u>	<u>(4,264,937)</u>	<u>-</u>	<u>(64,476,243)</u>
Total capital assets being depreciated, net	<u>105,043,587</u>	<u>27,559,298</u>	<u>-</u>	<u>132,602,885</u>
Total Governmental Activities capital assets, net	<u>\$ 112,296,428</u>	<u>\$ 28,577,626</u>	<u>\$ (381,755)</u>	<u>\$ 140,492,299</u>

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

Governmental Activities:	
General government	\$ 1,933,528
Public services	1,539,734
Community services	<u>791,675</u>
Total depreciation expense	<u>\$ 4,264,937</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 Capital Projects Fund at the lower of cost or estimated net realizable value. At June 30, 2008, the balance of land held for resale totaled \$4,804,688, 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 1995 Series A Tax Allocation Revenue Bonds and the 1999 Series A, B and C 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, 2008:

<u>Tax Allocation Revenue Bonds</u>	<u>Principal</u>	<u>Unamortized Discount</u>	<u>Loans Receivable Balance</u>
1995 Series A Issue	\$ 10,805,000	\$ (1,059,453)	\$ 9,745,547
1999 Series A Issue	29,505,000	-	29,505,000
1999 Series B Issue	150,000	-	150,000
1999 Series C Issue	<u>13,550,000</u>	<u>-</u>	<u>13,550,000</u>
Total	<u>\$ 54,010,000</u>	<u>\$ (1,059,453)</u>	<u>\$ 52,950,547</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. The discount is amortized over the life of the bonds.

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, 2008

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
1997 Series F	8/97	1999-2020	7.10%	24,550,000
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:				
1995 Series A	12/95	1999-2025	4.30% - 5.80%	13,345,000
1999 Series A	2/99	2000-2030	5.00% - 5.50%	33,450,000
1999 Series B	2/99	2000-2009	7.25%	580,000
1999 Series C	10/99	2004-2033	6.70%	14,180,000
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	2/04	2004-2009	7.00%	42,100
Vehicles and equipment	8/04	2005-2009	4.25%	168,205
Vehicles and equipment	4/05	2005-2010	7.75%	129,366

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

6. LONG-TERM LIABILITIES (CONTINUED):

	Outstanding June 30, 2007	Additions	Retirements	Outstanding June 30, 2008	Due Within One Year
Local Agency Revenue Bonds:					
1996 Series E	\$ 1,505,000	\$ -	\$ (35,000)	\$ 1,470,000	\$ 40,000
1997 Series F	21,850,000	-	(21,850,000)	-	-
1999 Series G	2,650,000	-	(235,000)	2,415,000	245,000
2003 Series H	29,840,000	-	(530,000)	29,310,000	590,000
2008 Series A	-	22,295,000	-	22,295,000	940,000
2008 Series B	-	3,265,000	-	3,265,000	-
Tax Allocation Revenue Bonds:					
1995 Series A	11,145,000	-	(340,000)	10,805,000	360,000
1999 Series A	30,085,000	-	(580,000)	29,505,000	610,000
1999 Series B	220,000	-	(70,000)	150,000	70,000
1999 Series C	<u>13,725,000</u>	<u>-</u>	<u>(175,000)</u>	<u>13,550,000</u>	<u>185,000</u>
	111,020,000	25,560,000	(23,815,000)	112,765,000	3,040,000
Add (less) deferred amounts:					
Bond premium	-	274,026	(10,961)	263,065	-
On refunding	<u>-</u>	<u>(371,899)</u>	<u>14,876</u>	<u>(357,023)</u>	<u>-</u>
	111,020,000	25,462,127	(23,811,085)	112,671,042	3,040,000
Revenue Refunding Bonds:					
2000 Series A	14,760,000	-	(325,000)	14,435,000	340,000
Developer Agreements:					
Wal-Mart Stores, Inc.	963,327	-	(187,881)	775,446	187,881
Oak Grove Equities	2,118,741	-	(1,128)	2,117,613	1,128
Outlet Center	851,582	-	(109,384)	742,198	109,384
Loan Payable:					
EVMWD Amber Ridge	403,126	-	(46,537)	356,589	47,986
Capital Lease Obligations:					
Vehicles and equipment	14,954	-	(9,249)	5,705	9,249
Vehicles and equipment	74,303	-	(36,271)	38,032	36,271
Vehicles and equipment	77,275	-	(27,534)	49,741	27,534
Compensated absences	<u>445,347</u>	<u>72,023</u>	<u>-</u>	<u>517,370</u>	<u>51,737</u>
	<u>\$ 130,728,655</u>	<u>\$ 25,534,150</u>	<u>\$(24,554,069)</u>	<u>\$ 131,708,736</u>	<u>\$ 3,851,170</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008, the Authority has a cash reserve balance for debt service of \$150,484, which is sufficient to cover the Bond Indenture Reserve Requirement.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 40,000	\$ 107,920	\$ 147,920
2010	40,000	105,180	145,180
2011	45,000	102,225	147,225
2012	45,000	99,075	144,075
2013	50,000	95,625	145,625
2014 - 2018	310,000	413,250	723,250
2019 - 2023	450,000	273,375	723,375
2024 - 2027	490,000	76,500	566,500
Totals	<u>\$ 1,470,000</u>	<u>\$ 1,273,150</u>	<u>\$ 2,743,150</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

6. LONG-TERM LIABILITIES (CONTINUED):

A. Local Agency Revenue Bonds (Continued):

1997 Series F

These bonds were refunded in January 2008, with the proceeds from the 2008 Series A Local Agency Revenue Bonds.

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, 2008, the Agency has a cash reserve balance for debt service of \$287,500, which is sufficient to cover the Bond Indenture Reserve Requirement.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 245,000	\$ 132,965	\$ 377,965
2010	260,000	118,320	378,320
2011	275,000	102,805	377,805
2012	290,000	86,420	376,420
2013	310,000	69,020	379,020
2014 - 2016	<u>1,035,000</u>	<u>92,365</u>	<u>1,127,365</u>
Totals	<u>\$ 2,415,000</u>	<u>\$ 601,895</u>	<u>\$ 3,016,895</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008, the Authority has a cash reserve balance for debt service of \$2,706,378 to cover the Bond Indenture Reserve Requirement of \$2,706,378.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 590,000	\$ 1,728,525	\$ 2,318,525
2010	670,000	1,701,281	2,371,281
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 - 2018	5,960,000	7,004,763	12,964,763
2019 - 2023	6,005,000	5,049,706	11,054,706
2024 - 2028	4,500,000	3,646,975	8,146,975
2029 - 2033	7,185,000	1,814,803	8,999,803
2034	1,850,000	58,969	1,908,969
Totals	<u>\$ 29,310,000</u>	<u>\$ 25,885,553</u>	<u>\$ 55,195,553</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 advance refunding resulted in an economic gain of \$3,145,273 and a decrease in cash flows of \$4,693,375. 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, 2008, the Authority has a cash reserve balance for debt service of \$1,122,408, which is sufficient to cover the Bond Indenture Reserve Requirement.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 940,000	\$ 965,742	\$ 1,905,742
2010	1,220,000	815,315	2,035,315
2011	1,310,000	767,990	2,077,990
2012	1,395,000	720,652	2,115,652
2013	1,485,000	670,253	2,155,253
2014 -2018	8,980,000	2,368,125	11,348,125
2019 - 2021	6,965,000	435,553	7,400,553
Totals	<u>\$ 22,295,000</u>	<u>\$ 6,743,630</u>	<u>\$ 29,038,630</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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, 2008, the Authority has a cash reserve balance for debt service of \$309,723, which is sufficient to cover the Bond Indenture Reserve Requirement.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ -	\$ 204,562	\$ 204,562
2010	-	220,486	220,486
2011	-	220,486	220,486
2012	-	220,487	220,487
2013	5,000	220,374	225,374
2014 - 2018	110,000	1,090,960	1,200,960
2019 - 2023	285,000	1,036,869	1,321,869
2024 - 2028	555,000	899,078	1,454,078
2029 - 2033	845,000	656,391	1,501,391
2034 - 2038	1,180,000	311,781	1,491,781
2039	285,000	9,797	294,797
Totals	<u>\$ 3,265,000</u>	<u>\$ 5,091,271</u>	<u>\$ 8,356,271</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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. At June 30, 2008, the Agency has a cash reserve balance for debt service of \$982,988, which is sufficient to cover the maximum annual debt service.

Future debt requirements for the 1995 Series A Tax Allocation Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 360,000	\$ 610,790	\$ 970,790
2010	380,000	590,335	970,335
2011	400,000	568,300	968,300
2012	425,000	544,994	969,994
2013	450,000	520,275	970,275
2014 - 2018	2,655,000	2,177,477	4,832,477
2019 - 2023	3,505,000	1,293,545	4,798,545
2024 - 2026	2,630,000	234,320	2,864,320
Totals	<u>\$ 10,805,000</u>	<u>\$ 6,540,036</u>	<u>\$ 17,345,036</u>

See independent auditors' report.

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

June 30, 2008

6. LONG-TERM LIABILITIES (CONTINUED):

B. Tax Allocation Revenue Bonds (Continued):

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, 2008, the Agency has a cash reserve balance for debt service of \$2,332,398, which is sufficient to cover the Bond Indenture Reserve Requirement.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 610,000	\$ 1,586,557	\$ 2,196,557
2010	640,000	1,555,308	2,195,308
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 - 2018	4,900,000	6,458,304	11,358,304
2019 - 2023	6,400,000	4,919,750	11,319,750
2024 - 2028	8,360,000	2,902,075	11,262,075
2029 - 2031	<u>6,195,000</u>	<u>523,188</u>	<u>6,718,188</u>
Totals	<u>\$ 29,505,000</u>	<u>\$ 22,381,824</u>	<u>\$ 51,886,824</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 70,000	\$ 8,337	\$ 78,337
2010	<u>80,000</u>	<u>2,900</u>	<u>82,900</u>
Totals	<u>\$ 150,000</u>	<u>\$ 11,237</u>	<u>\$ 161,237</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

6. LONG-TERM LIABILITIES (CONTINUED):

B. Tax Allocation Revenue Bonds (Continued):

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 bonds are subject to call and redemption prior to their stated maturity commencing September 1, 2019, at specified redemption prices. At June 30, 2008, the Agency has a cash reserve balance for debt service of \$970,830, which is sufficient to cover the Bond Indenture Reserve Requirement.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 185,000	\$ 901,653	\$ 1,086,653
2010	195,000	888,922	1,083,922
2011	210,000	875,355	1,085,355
2012	225,000	860,782	1,085,782
2013	240,000	845,205	1,085,205
2014 - 2018	1,460,000	3,953,670	5,413,670
2019 - 2023	2,020,000	3,376,130	5,396,130
2024 - 2028	2,795,000	2,576,318	5,371,318
2029 - 2033	4,780,000	1,410,015	6,190,015
2034	<u>1,440,000</u>	<u>48,240</u>	<u>1,488,240</u>
Totals	<u>\$ 13,550,000</u>	<u>\$ 15,736,290</u>	<u>\$ 29,286,290</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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
2009	\$ 340,000	\$ 190,542	\$ 530,542
2010	355,000	186,054	541,054
2011	375,000	181,368	556,368
2012	390,000	176,418	566,418
2013	410,000	171,270	581,270
2014 - 2018	2,350,000	769,890	3,119,890
2019 - 2023	2,935,000	600,204	3,535,204
2024 - 2028	3,680,000	387,816	4,067,816
2029 - 2032	3,600,000	121,440	3,721,440
Totals	<u>\$ 14,435,000</u>	<u>\$ 2,785,002</u>	<u>\$ 17,220,002</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, 2008 of 1.32% 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, 2008

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, 2008, the Agency owes \$775,446 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, 2008, the Agency owes \$2,117,613 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, 2008

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, 2008, the Agency owes \$742,198 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
2009	\$ 47,986	\$ 12,754	\$ 60,740
2010	49,727	11,013	60,740
2011	51,543	9,197	60,740
2012	53,436	7,304	60,740
2013	55,412	5,328	60,740
2014	98,485	4,378	102,863
Totals	<u>\$ 356,589</u>	<u>\$ 49,974</u>	<u>\$ 406,563</u>

See independent auditors' report.

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

June 30, 2008

6. LONG-TERM LIABILITIES (CONTINUED):

E. Lease Obligations:

The City leases vehicles and equipment with a recorded value of \$385,950 under capital lease agreements. Future minimum lease payments to be made as follows:

Year Ending June 30,	Lease Payment *
2009	\$ 76,144
2010	23,470
Totals	99,614
Less: Amount representing interest	(6,136)
Net Lease Obligation	\$ 93,478

* - Represents minimum lease payments.

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, 2008, loan agreements between the Agency and Authority totaled \$54,010,000 based on 1995 Series A Tax Allocation Revenue Bonds and 1999 Series A, Series B and Series C 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, 2008

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 loan is payable in annual principal installments of \$235,000 to \$925,000 from September 1, 1999 through February 1, 2025; interest at 4.30% to 5.80%. The loan balance at June 30, 2008 is \$10,805,000. At June 30, 2008, the Agency has a cash reserve fund balance for debt service of \$982,988, which is sufficient to cover the maximum annual debt service.

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, 2008 is \$29,505,000. At June 30, 2008, the Agency has a cash reserve fund balance for debt service of \$2,332,398, which is sufficient to cover the Bond Indenture Reserve Requirement.

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 loan is payable in annual principal installments varying from \$40,000 to \$80,000 through 2009 and bears an interest rate of 7.25%. The loan balance at June 30, 2008 is \$150,000. The 1999 Series B Bonds are covered by the 1999 Series A Bonds cash reserve balance for debt service.

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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

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. The loan is payable in annual principal installments varying from \$145,000 to \$1,440,000 through 2033 and bears an interest rate of 6.70%. The loan balance at June 30, 2008 is \$13,550,000. At June 30, 2008, the Agency has a cash reserve fund balance for debt service of \$970,830, 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
2009	\$ 1,225,000	\$ 3,107,338	\$ 4,332,338
2010	1,295,000	3,037,465	4,332,465
2011	1,370,000	2,963,392	4,333,392
2012	1,450,000	2,885,344	4,335,344
2013	1,530,000	2,802,818	4,332,818
2014 - 2018	9,015,000	12,589,450	21,604,450
2019 - 2023	11,925,000	9,589,425	21,514,425
2024 - 2028	13,785,000	5,712,713	19,497,713
2029 - 2033	10,975,000	1,933,202	12,908,202
2034	1,440,000	48,240	1,488,240
Totals	<u>\$ 54,010,000</u>	<u>\$ 44,669,387</u>	<u>\$ 98,679,387</u>

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

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 \$619,627 are to be made on an annual basis through fiscal year 2032. Interest is accrued cumulatively on the advances at a rate of 5.50%.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 188,538	\$ 431,089	\$ 619,627
2010	198,530	421,097	619,627
2011	209,053	410,574	619,627
2012	220,132	399,495	619,627
2013	231,799	387,828	619,627
2014 - 2018	1,356,828	1,741,307	3,098,135
2019 - 2023	1,756,575	1,341,560	3,098,135
2024 - 2028	2,274,093	824,042	3,098,135
2029 - 2032	1,698,207	185,570	1,883,777
Totals	<u>\$ 8,133,755</u>	<u>\$ 6,142,562</u>	<u>\$ 14,276,317</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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

9. SPECIAL ASSESSMENT DISTRICT BONDS (CONTINUED):

A summary of Special Assessment Bonds outstanding at June 30, 2008, for which the City has no liability or commitment, follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2008
Assessment District No. 86-1 Improvement Bonds	\$ 4,712,332	\$ 2,203,468
Assessment District No. 89-1 Improvement Bonds	1,889,246	455,000
Assessment District No. 90-1 A Improvement Bonds	1,780,000	1,290,000
Assessment District No. 93-1 Refunding Improvement Bonds, Series 2000	19,875,000	<u>18,060,000</u>
Total Assessment District Bonds		<u>\$ 22,008,468</u>

10. COMMUNITY FACILITIES DISTRICT BONDS:

These bonds are authorized pursuant to the Mello-Roos Community Facilities District Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facility Districts according to a methodology approved by the voters within the District and by the City Council of the City of Lake Elsinore. Neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City has used the proceeds of the Local Agency Revenue Bonds to invest in these Community Facilities District Bonds and acts solely as an agency for those paying taxes levied and the bondholders. Therefore, the outstaying balances of these bonds are not reflected in these financial statements. A summary of Mello-Roos Bonds outstanding at June 30, 2008 follows:

	Original Issue Amount	Bonds Outstanding at June 30, 2008
Community Facilities District 98-1 Summerhill Public Improvements	\$ 17,660,000	\$ 17,660,000
Community Facilities District 90-2 Tuscany Hills Public Improvements 2002 Series	14,470,000	10,445,000
Community Facilities District 95-1 Lake Elsinore City Center Public Improvements	1,600,000	1,325,000
Community Facilities District 2003-2 Canyon Hills 2004 Series A	12,235,000	12,140,000

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CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

10. COMMUNITY FACILITIES DISTRICT BONDS (CONTINUED):

A summary of Mello-Roos Bonds (Continued):

	<u>Original Issue Amount</u>	<u>Bonds Outstanding at June 30, 2008</u>
Community Facilities District 2004-3 Roseta Canyon 2005 Series A	\$ 22,635,000	\$ 22,575,000
Community Facilities District 2005-1 Serenity 2006 Series A	9,180,000	9,125,000
Community Facilities District 2005-2 Alberhill Ranch 2005 Series A	24,680,000	24,675,000
Community Facilities District 2005-6 City Center Townhomes 2006 Series A	3,525,000	3,525,000
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	20,570,000
Community Facilities District 2004-3 Roseta Canyon 2006 Series A	23,460,000	23,460,000
Community Facilities District 2006-2 Viscaya 2006 Series A	7,290,000	7,290,000
Community Facilities District 88-3 2008 Series A	24,670,000	24,670,000
Community Facilities District 88-3 2008 Series A	7,175,000	7,175,000
Community Facilities District 88-3 2008 Series B	3,265,000	<u>3,265,000</u>
Total Community Facilities District Bonds		<u>\$ 195,240,000</u>

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.

See independent auditors' report.

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

June 30, 2008

11. MORTGAGE REVENUE BONDS (CONTINUED):

They are as follows:

	<u>Original Issue Amount</u>	<u>Bonds Outstanding at June 30, 2008</u>
Lakeside Village Project - Due January 1, 2031	\$ 5,000,000	\$ <u>4,376,637</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, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Special Revenue Fund	\$ 75,000
	Redevelopment Agency Debt Service Fund	1,548,268
	Assessment Districts Capital Projects Fund	1,570
	Redevelopment Agency Capital Projects Fund	856,182
	Other Governmental Funds	769,019
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	<u>4,809,388</u>
		<u>\$ 8,059,427</u>

See independent auditors' report.

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

June 30, 2008

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

Advances to and from other funds at June 30, 2008 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Redevelopment Agency Debt Service Fund	\$ 8,133,755
Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	<u>11,852,396</u>
		<u>\$ 19,986,151</u>

The compositions of the City's interfund transfer balances as of June 30, 2008 are as follows:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 2,960,330
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	846,521
Other Governmental Funds	General Fund Other Governmental Funds	2,461,753 <u>144,287</u>
		<u>\$ 6,412,891</u>

See independent auditors' report.

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

June 30, 2008

13. FUND BALANCE RESERVES AND DESIGNATIONS:

The various reserves and designations at June 30, 2008 are as follows:

	General	Redevelopment Agency Special Revenue	Redevelopment Agency Debt Service	Public Financing Authority Debt Service	Assessment Districts Capital Projects	Redevelopment Agency Capital Projects	Other Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Reserved:							
Debt service	\$ -	\$ -	\$ -	\$ 65,688,116	\$ -	\$ -	\$ 215
Encumbrances	110,045	-	-	-	-	-	2,181,329
Specific projects	744,670	-	-	-	32,471,747	-	-
Loans receivable	-	-	-	52,950,547	-	-	-
Advance to							
other funds	8,133,755	11,852,396	-	-	-	-	-
Low and moderate							
income housing	-	18,260,916	-	-	-	-	-
Prepaid expenditures	487,885	-	60,914	-	-	-	-
Land held for resale	-	-	-	-	-	4,804,688	-
Unreserved:							
Designated for							
future							
contingencies	5,000,000	-	-	-	-	-	-
Undesignated	<u>4,285,493</u>	<u>-</u>	<u>(5,370,698)</u>	<u>-</u>	<u>-</u>	<u>(4,804,688)</u>	<u>24,356,083</u>
Totals	<u>\$ 18,761,848</u>	<u>\$ 30,113,312</u>	<u>\$ (5,309,784)</u>	<u>\$ 118,638,663</u>	<u>\$ 32,471,747</u>	<u>\$ -</u>	<u>\$ 26,537,627</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, 2008, 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, 2008

13. FUND BALANCE RESERVES AND DESIGNATIONS (CONTINUED):

Reserved for Specific Projects and Programs

This reserve was established to represent specific projects and programs 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 Expenditures

This reserve was established to represent amounts that were paid prior to June 30, 2008 for fiscal year 2007-08 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.

Designated for Future Contingencies

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

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

14. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

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

	<u>Expenditures</u>	<u>Appropriations</u>
Major Funds:		
General Fund	\$ 32,282,990	\$ 32,140,882
Assessment Districts Capital Projects Fund	45,013,715	197,028
Redevelopment Agency Capital Projects Fund	880,876	-
Other Governmental Funds:		
Lighting and Landscaping Special Revenue Fund	1,328,540	1,197,400
Storm Drain Capital Projects Fund	679,065	343,000

The following funds had a deficit fund balance at June 30, 2008. These deficits are expected to be eliminated through future revenues.

	<u>Amount</u>
Major Fund:	
Redevelopment Agency Debt Service Fund	\$ 5,309,784
Other Governmental Funds:	
Office of Traffic and Safety Special Revenue Fund	8,000
Lighting and Landscaping Special Revenue Fund	651,145
C.D.B.G. Special Revenue Fund	109,850
Recreation Authority Debt Service Fund	4,092
Miscellaneous General Project Capital Projects Fund	8,389

15. 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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

15. PENSION PLAN (CONTINUED):

Plan Description (Continued)

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	<u>8.00%</u>

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

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

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, 2008, 2007 and 2006 were 18.35%, 18.37% and 17.58%, respectively. The City's contributions to CalPERS for the years ended June 30, 2008, 2007 and 2006 were \$1,208,104, \$1,181,139 and \$939,108, respectively, and were equal to required contributions for each year.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

16. POST-EMPLOYMENT HEALTH CARE BENEFITS:

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 50 with at least 5 years of service qualify to receive the post-employment benefit. The City pays 100% of the retirees' and authorized dependents monthly medical premiums. Contributions are funded on a pay-as-you-go basis. Annual appropriations to cover these premiums are approved by the City Council during the budget adoption process. Expenditures totaled \$303,254 in the current year with 30 participants eligible to receive benefits.

17. DEFERRED COMPENSATION:

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

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

18. LIABILITY, PROPERTY AND PROTECTION:

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 119 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, purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for the 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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

18. LIABILITY, PROPERTY AND PROTECTION (CONTINUED):

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 nonpolice. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; 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. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Insurance Authority's investment earnings.

Environmental Insurance

The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Insurance Authority has a \$10,000,000 limit during the 3-year term of the policy.

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.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

18. LIABILITY, PROPERTY AND PROTECTION (CONTINUED):

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.

19. LITIGATION:

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

20. 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 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. 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, to this project.

The Agreement prohibits any other further bonded indebtedness secured by tax increment generated by the project site, other than for project purposes stated therein. Currently, the area covered by the Disposition and Development Agreement is not generating any such revenues. Bonded indebtedness predating the Disposition and Development Agreement will have a superior lien on tax increment revenues. No provision has been made for this commitment on the financial statements, as the project has yet to be completed.

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

20. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Castle and Cooke/Murdock Outlet Centers

On October 15, 1995, the City entered into a develop and operate agreement. The City has agreed to reimburse the Castle and Cooke/Murdock Outlet Centers (Developer) \$3,000,000 for certain costs of constructing and installing public infrastructure related to a factory outlet center. The \$3,000,000 accrues interest at 7% per annum. Installment payments are to be made until the amount above is fully repaid or the end of the twenty-fifth year the Outlet Center is in operation. Installment payments are calculated to be (1) in the amount of 100% of the sales tax in excess of \$100,000, but not to exceed \$100,000 and (2) 50% of the amount of any additional sales tax received in excess of \$200,000. Sales tax is not pledged for repayment. The obligation is a general obligation of the City and tax increment is not specifically pledged. No provision has been made for this commitment on the financial statements, as the project is not complete.

21. 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, 2008, the Authority had minimal activity and according to the criteria in Note 1A, the Authority is not included in these financial statements.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAKE ELSINORE, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 6,016,900	\$ 6,954,900	\$ 6,823,418	\$ (131,482)
Other taxes	11,381,500	11,110,400	10,741,363	(369,037)
Licenses, permits and fees	4,797,300	2,751,500	2,305,734	(445,766)
Intergovernmental revenues	336,700	324,500	278,984	(45,516)
Charges for services	4,091,000	3,782,300	4,579,433	797,133
Fines, forfeitures and penalties	349,000	534,400	589,207	54,807
Investment income	750,000	750,000	874,707	124,707
Miscellaneous	3,517,400	3,575,515	3,920,199	344,684
TOTAL REVENUES	<u>31,239,800</u>	<u>29,783,515</u>	<u>30,113,045</u>	<u>329,530</u>
EXPENDITURES:				
Current:				
General government	5,841,000	5,806,824	5,802,925	3,899
Public safety	13,417,300	13,241,300	14,293,269	(1,051,969)
Community development	3,650,400	3,332,057	3,194,113	137,944
Public services	4,054,300	3,756,748	3,578,130	178,618
Community services	5,985,150	5,809,371	5,221,331	588,040
Capital outlay	732,650	113,582	113,582	-
Debt service:				
Principal retirement	74,000	74,000	73,054	946
Interest and fiscal charges	7,000	7,000	6,586	414
TOTAL EXPENDITURES	<u>33,761,800</u>	<u>32,140,882</u>	<u>32,282,990</u>	<u>(142,108)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,522,000)</u>	<u>(2,357,367)</u>	<u>(2,169,945)</u>	<u>187,422</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,330,300	2,330,300	2,960,330	630,030
Transfers out	<u>(5,758,304)</u>	<u>(4,614,460)</u>	<u>(2,461,753)</u>	<u>2,152,707</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,428,004)</u>	<u>(2,284,160)</u>	<u>498,577</u>	<u>2,782,737</u>
NET CHANGE IN FUND BALANCE	<u>(5,950,004)</u>	<u>(4,641,527)</u>	<u>(1,671,368)</u>	<u>2,970,159</u>
FUND BALANCE - BEGINNING OF YEAR	<u>20,433,215</u>	<u>20,433,215</u>	<u>20,433,215</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,483,211</u>	<u>\$ 15,791,688</u>	<u>\$ 18,761,847</u>	<u>\$ 2,970,159</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,865,400	\$ 3,865,400	\$ 5,296,873	\$ 1,431,473
Investment income	100,000	100,000	487,831	387,831
TOTAL REVENUES	3,965,400	3,965,400	5,784,704	1,819,304
EXPENDITURES:				
Capital outlay	148,000	148,000	101,577	46,423
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,817,400	3,817,400	5,683,127	1,865,727
FUND BALANCE - BEGINNING OF YEAR	24,430,185	24,430,185	24,430,185	-
FUND BALANCE - END OF YEAR	\$ 28,247,585	\$ 28,247,585	\$ 30,113,312	\$ 1,865,727

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

CITY OF LAKE ELSINORE, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

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, 2008

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, 2008

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 12,893,460	\$ -	\$ 15,482,335	\$ 28,375,795
Cash and investments with fiscal agents	-	215	-	215
Accounts receivable	19,848	-	48,844	68,692
Accrued interest receivable	60,490	-	112,977	173,467
Due from other governments	804,932	-	950,910	1,755,842
TOTAL ASSETS	<u>\$ 13,778,730</u>	<u>\$ 215</u>	<u>\$ 16,595,066</u>	<u>\$ 30,374,011</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 361,672	\$ -	\$ 262,155	\$ 623,827
Deposits and other liabilities	1,700	-	-	1,700
Due to other funds	764,712	4,307	-	769,019
Deferred revenue	1,011,007	-	1,430,831	2,441,838
TOTAL LIABILITIES	<u>2,139,091</u>	<u>4,307</u>	<u>1,692,986</u>	<u>3,836,384</u>
FUND BALANCES (DEFICIT):				
Reserved for:				
Debt service	-	215	-	215
Encumbrances	908,211	-	1,273,118	2,181,329
Unreserved:				
Undesignated	10,731,428	(4,307)	13,628,962	24,356,083
TOTAL FUND BALANCES (DEFICIT)	<u>11,639,639</u>	<u>(4,092)</u>	<u>14,902,080</u>	<u>26,537,627</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,778,730</u>	<u>\$ 215</u>	<u>\$ 16,595,066</u>	<u>\$ 30,374,011</u>

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, 2008

	Special Revenue Funds	Debt Service Fund Recreation Authority	Capital Projects Funds	Total Other Governmental Funds
REVENUES:				
Licenses, permits and fees	\$ 2,796,803	\$ -	\$ 1,163,549	\$ 3,960,352
Intergovernmental revenues	3,036,060	-	794,144	3,830,204
Fines, forfeitures and penalties	329,412	-	-	329,412
Investment income	390,894	-	812,903	1,203,797
Special assessments	1,360,741	-	-	1,360,741
Miscellaneous	107,745	712,429	1,955,759	2,775,933
TOTAL REVENUES	8,021,655	712,429	4,726,355	13,460,439
EXPENDITURES:				
Current:				
General government	41,234	-	13,411	54,645
Public services	2,509,161	-	3,234,648	5,743,809
Capital outlay	876,395	-	2,367,426	3,243,821
Debt service:				
Principal retirement	-	325,000	-	325,000
Interest and fiscal charges	-	436,787	-	436,787
TOTAL EXPENDITURES	3,426,790	761,787	5,615,485	9,804,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,594,865	(49,358)	(889,130)	3,656,377
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,606,040	2,606,040
Transfers out	(997,549)	-	(2,107,068)	(3,104,617)
TOTAL OTHER FINANCING SOURCES (USES)	(997,549)	-	498,972	(498,577)
NET CHANGE IN FUND BALANCES	3,597,316	(49,358)	(390,158)	3,157,800
FUND BALANCES - BEGINNING OF YEAR	8,042,323	45,266	15,292,238	23,379,827
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 11,639,639	\$ (4,092)	\$ 14,902,080	\$ 26,537,627

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER SPECIAL REVENUE FUNDS

June 30, 2008

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, 2008

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.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2008

	Supplemental Law Enforcement Service	L.L.E.B.G. Program	Office of Traffic and Safety	Traffic Offender
ASSETS				
Cash and investments	\$ 270,041	\$ 14,070	\$ -	\$ 78,251
Accounts receivable	-	-	-	-
Accrued interest receivable	1,773	-	-	497
Due from other governments	3,253	-	6,864	-
	<u>3,253</u>	<u>-</u>	<u>6,864</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 275,067</u>	<u>\$ 14,070</u>	<u>\$ 6,864</u>	<u>\$ 78,748</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,470	\$ -	\$ -	\$ 757
Deposits and other liabilities	-	-	-	-
Due to other funds	-	-	14,864	-
Deferred revenue	-	-	-	-
	<u>1,470</u>	<u>-</u>	<u>14,864</u>	<u>757</u>
TOTAL LIABILITIES	<u>1,470</u>	<u>-</u>	<u>14,864</u>	<u>757</u>
FUND BALANCES (DEFICITS):				
Reserved for:				
Encumbrances	33,569	-	-	-
Unreserved:				
Undesignated	240,028	14,070	(8,000)	77,991
	<u>240,028</u>	<u>14,070</u>	<u>(8,000)</u>	<u>77,991</u>
TOTAL FUND BALANCES (DEFICITS)	<u>273,597</u>	<u>14,070</u>	<u>(8,000)</u>	<u>77,991</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 275,067</u>	<u>\$ 14,070</u>	<u>\$ 6,864</u>	<u>\$ 78,748</u>

See independent auditors' report.

<u>Gas Tax</u>	<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>
\$ 1,038,748	\$ 1,568,313	\$ 415,342	\$ -	\$ 148,329	\$ 19,623	\$ 239,552
-	-	-	-	-	-	-
11,022	11,020	3,423	-	715	115	1,501
<u>307,288</u>	<u>331,743</u>	<u>57,132</u>	<u>78,180</u>	<u>5,605</u>	<u>-</u>	<u>14,867</u>
<u>\$ 1,357,058</u>	<u>\$ 1,911,076</u>	<u>\$ 475,897</u>	<u>\$ 78,180</u>	<u>\$ 154,649</u>	<u>\$ 19,738</u>	<u>\$ 255,920</u>
\$ 35,704	\$ 171,716	\$ -	\$ 89,327	\$ 1,342	\$ -	\$ 10,151
-	-	-	-	-	1,700	-
-	-	-	639,998	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>35,704</u>	<u>171,716</u>	<u>-</u>	<u>729,325</u>	<u>1,342</u>	<u>1,700</u>	<u>10,151</u>
118,276	686,366	-	-	-	-	-
<u>1,203,078</u>	<u>1,052,994</u>	<u>475,897</u>	<u>(651,145)</u>	<u>153,307</u>	<u>18,038</u>	<u>245,769</u>
<u>1,321,354</u>	<u>1,739,360</u>	<u>475,897</u>	<u>(651,145)</u>	<u>153,307</u>	<u>18,038</u>	<u>245,769</u>
<u>\$ 1,357,058</u>	<u>\$ 1,911,076</u>	<u>\$ 475,897</u>	<u>\$ 78,180</u>	<u>\$ 154,649</u>	<u>\$ 19,738</u>	<u>\$ 255,920</u>

(Continued)

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2008

	C.D.B.G.	Endowment Trust Fund	Cost Recovery System	Developer Agreement
ASSETS				
Cash and investments	\$ -	\$ 38,619	\$ 1,041,056	\$ 4,908,167
Accounts receivable	-	-	-	-
Accrued interest receivable	-	122	-	9,111
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 38,741</u>	<u>\$ 1,041,056</u>	<u>\$ 4,917,278</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 49,897	\$ -
Deposits and other liabilities	-	-	-	-
Due to other funds	109,850	-	-	-
Deferred revenue	-	-	991,159	-
TOTAL LIABILITIES	<u>109,850</u>	<u>-</u>	<u>1,041,056</u>	<u>-</u>
FUND BALANCES (DEFICITS):				
Reserved for:				
Encumbrances	-	-	-	-
Unreserved:				
Undesignated	(109,850)	38,741	-	4,917,278
TOTAL FUND BALANCES (DEFICITS)	<u>(109,850)</u>	<u>38,741</u>	<u>-</u>	<u>4,917,278</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 38,741</u>	<u>\$ 1,041,056</u>	<u>\$ 4,917,278</u>

See independent auditors' report.

Affordable Housing in Lieu	City Hall/ Public Works	Community Center	Lake Side Facilities	Animal Shelter	Camino del Norte	Total Other Special Revenue Funds
\$ 997,883	\$ 876,616	\$ 596,952	\$ 230,133	\$ 379,448	\$ 32,317	\$ 12,893,460
-	6,472	4,360	6,232	2,784	-	19,848
6,539	5,835	3,891	2,240	2,474	212	60,490
-	-	-	-	-	-	804,932
<u>\$ 1,004,422</u>	<u>\$ 888,923</u>	<u>\$ 605,203</u>	<u>\$ 238,605</u>	<u>\$ 384,706</u>	<u>\$ 32,529</u>	<u>\$ 13,778,730</u>
\$ -	\$ -	\$ -	\$ 1,308	\$ -	\$ -	\$ 361,672
-	-	-	-	-	-	1,700
-	-	-	-	-	-	764,712
-	6,472	4,360	6,232	2,784	-	1,011,007
-	6,472	4,360	7,540	2,784	-	2,139,091
-	-	-	70,000	-	-	908,211
<u>1,004,422</u>	<u>882,451</u>	<u>600,843</u>	<u>161,065</u>	<u>381,922</u>	<u>32,529</u>	<u>10,731,428</u>
<u>1,004,422</u>	<u>882,451</u>	<u>600,843</u>	<u>231,065</u>	<u>381,922</u>	<u>32,529</u>	<u>11,639,639</u>
<u>\$ 1,004,422</u>	<u>\$ 888,923</u>	<u>\$ 605,203</u>	<u>\$ 238,605</u>	<u>\$ 384,706</u>	<u>\$ 32,529</u>	<u>\$ 13,778,730</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, 2008

	Supplemental Law Enforcement Service	L.L.E.B.G. Program	Office of Traffic and Safety	Traffic Offender
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ 49,000
Intergovernmental revenues	103,253	62,219	62,450	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	10,877	741	-	3,010
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	114,130	62,960	62,450	52,010
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public services	29,519	48,740	70,450	11,216
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	29,519	48,740	70,450	11,216
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84,611	14,220	(8,000)	40,794
OTHER FINANCING USES:				
Transfers out	-	-	(74,296)	-
NET CHANGE IN FUND BALANCES	84,611	14,220	(82,296)	40,794
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	188,986	(150)	74,296	37,197
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 273,597	\$ 14,070	\$ (8,000)	\$ 77,991

See independent auditors' report.

<u>Gas Tax</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
775,276	1,317,345	-	-	-	-	-
-	-	329,412	-	-	-	-
68,969	67,814	18,425	-	2,453	905	10,174
-	-	-	1,200,433	160,308	-	-
-	6,216	-	12,537	32,100	-	56,892
<u>844,245</u>	<u>1,391,375</u>	<u>347,837</u>	<u>1,212,970</u>	<u>194,861</u>	<u>905</u>	<u>67,066</u>
-	-	-	-	-	-	3,807
168,020	674,737	-	1,328,540	24,474	-	17,758
<u>101,557</u>	<u>12,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>269,577</u>	<u>686,777</u>	<u>-</u>	<u>1,328,540</u>	<u>24,474</u>	<u>-</u>	<u>21,565</u>
574,668	704,598	347,837	(115,570)	170,387	905	45,501
<u>(500,000)</u>	<u>(120,000)</u>	<u>(150,000)</u>	<u>(54,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
74,668	584,598	197,837	(169,570)	150,387	905	45,501
<u>1,246,686</u>	<u>1,154,762</u>	<u>278,060</u>	<u>(481,575)</u>	<u>2,920</u>	<u>17,133</u>	<u>200,268</u>
<u>\$ 1,321,354</u>	<u>\$ 1,739,360</u>	<u>\$ 475,897</u>	<u>\$ (651,145)</u>	<u>\$ 153,307</u>	<u>\$ 18,038</u>	<u>\$ 245,769</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, 2008

	C.D.B.G.	Endowment Trust Fund	Cost Recovery System	Developer Agreement
REVENUES:				
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ 2,380,873
Intergovernmental revenues	715,517	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	1,655	-	54,166
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>715,517</u>	<u>1,655</u>	<u>-</u>	<u>2,435,039</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public services	-	2,100	-	-
Capital outlay	744,205	-	-	-
TOTAL EXPENDITURES	<u>744,205</u>	<u>2,100</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28,688)	(445)	-	2,435,039
OTHER FINANCING USES:				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCES	(28,688)	(445)	-	2,435,039
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>(81,162)</u>	<u>39,186</u>	<u>-</u>	<u>2,482,239</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u><u>\$ (109,850)</u></u>	<u><u>\$ 38,741</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,917,278</u></u>

See independent auditors' report

Affordable Housing in Lieu	City Hall/ Public Works	Community Center	Lake Side Facilities	Animal Shelter	Camino del Norte	Total Other Special Revenue Funds
\$ 103,733	\$ 117,933	\$ 47,348	\$ 67,684	\$ 30,232	\$ -	\$ 2,796,803
-	-	-	-	-	-	3,036,060
-	-	-	-	-	-	329,412
45,639	42,117	27,675	17,133	17,590	1,551	390,894
-	-	-	-	-	-	1,360,741
-	-	-	-	-	-	107,745
<u>149,372</u>	<u>160,050</u>	<u>75,023</u>	<u>84,817</u>	<u>47,822</u>	<u>1,551</u>	<u>8,021,655</u>
-	-	-	37,427	-	-	41,234
-	-	-	133,607	-	-	2,509,161
-	-	-	18,593	-	-	876,395
-	-	-	189,627	-	-	3,426,790
149,372	160,050	75,023	(104,810)	47,822	1,551	4,594,865
-	(51,968)	-	(27,285)	-	-	(997,549)
149,372	108,082	75,023	(132,095)	47,822	1,551	3,597,316
<u>855,050</u>	<u>774,369</u>	<u>525,820</u>	<u>363,160</u>	<u>334,100</u>	<u>30,978</u>	<u>8,042,323</u>
<u>\$ 1,004,422</u>	<u>\$ 882,451</u>	<u>\$ 600,843</u>	<u>\$ 231,065</u>	<u>\$ 381,922</u>	<u>\$ 32,529</u>	<u>\$ 11,639,639</u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 869,000	\$ 869,000	\$ 775,276	\$ (93,724)
Investment income	-	-	68,969	68,969
TOTAL REVENUES	<u>869,000</u>	<u>869,000</u>	<u>844,245</u>	<u>(24,755)</u>
EXPENDITURES:				
Current:				
Public services	-	-	168,020	(168,020)
Capital outlay	576,200	576,200	101,557	474,643
TOTAL EXPENDITURES	<u>576,200</u>	<u>576,200</u>	<u>269,577</u>	<u>306,623</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	292,800	292,800	574,668	281,868
OTHER FINANCING USES:				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(207,200)</u>	<u>(207,200)</u>	<u>74,668</u>	<u>281,868</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,246,686</u>	<u>1,246,686</u>	<u>1,246,686</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,039,486</u>	<u>\$ 1,039,486</u>	<u>\$ 1,321,354</u>	<u>\$ 281,868</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,288,000	\$ 1,288,000	\$ 1,317,345	\$ 29,345
Investment income	-	-	67,814	67,814
Miscellaneous	-	-	6,216	6,216
TOTAL REVENUES	1,288,000	1,288,000	1,391,375	103,375
EXPENDITURES:				
Current:				
Public services	-	-	674,737	(674,737)
Capital outlay	1,423,800	1,423,800	12,040	1,411,760
TOTAL EXPENDITURES	1,423,800	1,423,800	686,777	737,023
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(135,800)	(135,800)	704,598	840,398
OTHER FINANCING USES:				
Transfers out	(80,000)	(80,000)	(120,000)	(40,000)
NET CHANGE IN FUND BALANCE	(215,800)	(215,800)	584,598	800,398
FUND BALANCE - BEGINNING OF YEAR	1,154,762	1,154,762	1,154,762	-
FUND BALANCE - END OF YEAR	\$ 938,962	\$ 938,962	\$ 1,739,360	\$ 800,398

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 175,400	\$ 175,400	\$ 329,412	\$ 154,012
Investment income	-	-	18,425	18,425
TOTAL REVENUES	175,400	175,400	347,837	172,437
EXPENDITURES:				
Capital outlay	50,000	50,000	-	50,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,400	125,400	347,837	222,437
OTHER FINANCING USES:				
Transfers out	(150,000)	(150,000)	(150,000)	-
NET CHANGE IN FUND BALANCE	(24,600)	(24,600)	197,837	222,437
FUND BALANCE - BEGINNING OF YEAR	278,060	278,060	278,060	-
FUND BALANCE - END OF YEAR	\$ 253,460	\$ 253,460	\$ 475,897	\$ 222,437

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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Special assessments	\$ 1,251,000	\$ 1,251,000	\$ 1,200,433	\$ (50,567)
Investment income	1,300	1,300	-	(1,300)
Miscellaneous	11,000	11,000	12,537	1,537
TOTAL REVENUES	1,263,300	1,263,300	1,212,970	(50,330)
EXPENDITURES:				
Current:				
Public services	1,197,400	1,197,400	1,328,540	(131,140)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,900	65,900	(115,570)	(181,470)
OTHER FINANCING USES:				
Transfers out	-	-	(54,000)	(54,000)
NET CHANGE IN FUND BALANCE	65,900	65,900	(169,570)	(235,470)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(481,575)	(481,575)	(481,575)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (415,675)	\$ (415,675)	\$ (651,145)	\$ (235,470)

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 2,453	\$ 2,453
Special assessments	190,000	190,000	160,308	(29,692)
Miscellaneous	4,000	4,000	32,100	28,100
TOTAL REVENUES	194,000	194,000	194,861	861
EXPENDITURES:				
Current:				
Public services	150,200	150,200	24,474	125,726
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43,800	43,800	170,387	126,587
OTHER FINANCING USES:				
Transfers out	-	-	(20,000)	(20,000)
NET CHANGE IN FUND BALANCE	43,800	43,800	150,387	106,587
FUND BALANCE - BEGINNING OF YEAR	2,920	2,920	2,920	-
FUND BALANCE - END OF YEAR	\$ 46,720	\$ 46,720	\$ 153,307	\$ 106,587

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

OTHER AND MAJOR CAPITAL PROJECTS FUNDS

June 30, 2008

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.

MAJOR FUNDS:

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, 2008

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain
ASSETS				
Cash and investments	\$ 652,899	\$ 1,051,437	\$ 12,608	\$ 6,417,285
Accounts receivable	-	12,800	83	17,801
Accrued interest receivable	5,777	7,369	-	45,601
Due from other governments	950,910	-	-	-
TOTAL ASSETS	\$ 1,609,586	\$ 1,071,606	\$ 12,691	\$ 6,480,687
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 235,905	\$ 3,430	\$ -	\$ 9,865
Deferred revenue	1,382,070	12,800	-	17,801
TOTAL LIABILITIES	1,617,975	16,230	-	27,666
FUND BALANCES (DEFICIT):				
Reserved for:				
Encumbrances	925,188	3,550	-	189,247
Unreserved:				
Undesignated	(933,577)	1,051,826	12,691	6,263,774
TOTAL FUND BALANCES (DEFICIT)	(8,389)	1,055,376	12,691	6,453,021
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,609,586	\$ 1,071,606	\$ 12,691	\$ 6,480,687

See independent auditors' report.

<u>Library Capital Improvement</u>	<u>Signalization Improvement</u>	<u>Traffic Improvements</u>	<u>City Fire Protection</u>	<u>Public Improvements</u>	<u>Fire Station</u>	<u>Total Other Capital Projects Funds</u>
\$ 1,265,362	\$ 118,045	\$ 4,845,714	\$ 668,718	\$ 450,251	\$ 16	\$ 15,482,335
1,200	-	10,952	6,008	-	-	48,844
8,296	775	37,720	4,342	3,097	-	112,977
-	-	-	-	-	-	950,910
<u>\$ 1,274,858</u>	<u>\$ 118,820</u>	<u>\$ 4,894,386</u>	<u>\$ 679,068</u>	<u>\$ 453,348</u>	<u>\$ 16</u>	<u>\$ 16,595,066</u>
\$ -	\$ -	\$ 266	\$ -	\$ 12,689	\$ -	\$ 262,155
1,200	-	10,952	6,008	-	-	1,430,831
<u>1,200</u>	<u>-</u>	<u>11,218</u>	<u>6,008</u>	<u>12,689</u>	<u>-</u>	<u>1,692,986</u>
-	-	155,133	-	-	-	1,273,118
<u>1,273,658</u>	<u>118,820</u>	<u>4,728,035</u>	<u>673,060</u>	<u>440,659</u>	<u>16</u>	<u>13,628,962</u>
<u>1,273,658</u>	<u>118,820</u>	<u>4,883,168</u>	<u>673,060</u>	<u>440,659</u>	<u>16</u>	<u>14,902,080</u>
<u>\$ 1,274,858</u>	<u>\$ 118,820</u>	<u>\$ 4,894,386</u>	<u>\$ 679,068</u>	<u>\$ 453,348</u>	<u>\$ 16</u>	<u>\$ 16,595,066</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, 2008

	Miscellaneous General Project	Park Improvement and Development	Street Capital Improvements	Storm Drain
REVENUES:				
Licenses, permits and fees	\$ -	\$ 185,213	\$ -	\$ 179,190
Intergovernmental revenue	490,065	304,079	-	-
Investment income	7,818	56,891	113	336,292
Miscellaneous	1,926,465	-	29,294	-
TOTAL REVENUES	2,424,348	546,183	29,407	515,482
EXPENDITURES:				
Current:				
General government	8,831	-	-	419
Public services	985,175	44,487	-	678,646
Capital outlay	1,673,927	417,654	-	-
TOTAL EXPENDITURES	2,667,933	462,141	-	679,065
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(243,585)	84,042	29,407	(163,583)
OTHER FINANCING SOURCES (USES):				
Transfers in	2,606,040	-	-	-
Transfers out	(2,042,034)	(65,034)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	564,006	(65,034)	-	-
NET CHANGE IN FUND BALANCES	320,421	19,008	29,407	(163,583)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(328,810)	1,036,368	(16,716)	6,616,604
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (8,389)	\$ 1,055,376	\$ 12,691	\$ 6,453,021

See independent auditors' report.

Library Capital Improvement	Signalization Improvement	Traffic Improvements	City Fire Protection	Public Improvements	Fire Station	Total Other Capital Projects Funds
\$ 21,000	\$ -	\$ 515,472	\$ 185,546	\$ 77,128	\$ -	\$ 1,163,549
-	-	-	-	-	-	794,144
60,752	5,986	286,594	28,532	29,924	1	812,903
-	-	-	-	-	-	1,955,759
<u>81,752</u>	<u>5,986</u>	<u>802,066</u>	<u>214,078</u>	<u>107,052</u>	<u>1</u>	<u>4,726,355</u>
-	83	4,078	-	-	-	13,411
18,189	1,965	1,380,399	-	125,787	-	3,234,648
-	-	137,116	-	138,729	-	2,367,426
<u>18,189</u>	<u>2,048</u>	<u>1,521,593</u>	<u>-</u>	<u>264,516</u>	<u>-</u>	<u>5,615,485</u>
<u>63,563</u>	<u>3,938</u>	<u>(719,527)</u>	<u>214,078</u>	<u>(157,464)</u>	<u>1</u>	<u>(889,130)</u>
-	-	-	-	-	-	2,606,040
-	-	-	-	-	-	(2,107,068)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,972</u>
63,563	3,938	(719,527)	214,078	(157,464)	1	(390,158)
<u>1,210,095</u>	<u>114,882</u>	<u>5,602,695</u>	<u>458,982</u>	<u>598,123</u>	<u>15</u>	<u>15,292,238</u>
<u>\$ 1,273,658</u>	<u>\$ 118,820</u>	<u>\$ 4,883,168</u>	<u>\$ 673,060</u>	<u>\$ 440,659</u>	<u>\$ 16</u>	<u>\$ 14,902,080</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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Intergovernmental	\$ 3,274,900	\$ 3,274,900	\$ 490,065	\$ (2,784,835)
Investment income	-	-	7,818	7,818
Miscellaneous	7,964,845	7,964,845	1,926,465	(6,038,380)
TOTAL REVENUES	11,239,745	11,239,745	2,424,348	(8,815,397)
EXPENDITURES:				
Current:				
General government	-	-	8,831	(8,831)
Public services	17,100	17,100	985,175	(968,075)
Capital outlay	16,421,206	16,421,206	1,673,927	14,747,279
TOTAL EXPENDITURES	16,438,306	16,438,306	2,667,933	13,770,373
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,198,561)	(5,198,561)	(243,585)	4,954,976
OTHER FINANCING SOURCES (USES):				
Transfers in	5,067,660	5,067,660	2,606,040	(2,461,620)
Transfers out	-	-	(2,042,034)	(2,042,034)
TOTAL OTHER FINANCING SOURCES (USES)	5,067,660	5,067,660	564,006	(4,503,654)
NET CHANGE IN FUND BALANCE	(130,901)	(130,901)	320,421	451,322
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(328,810)	(328,810)	(328,810)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (459,711)	\$ (459,711)	\$ (8,389)	\$ 451,322

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

PARK IMPROVEMENT AND DEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 800,000	\$ 800,000	\$ 185,213	\$ (614,787)
Intergovernmental revenue	-	-	304,079	304,079
Investment income	-	-	56,891	56,891
TOTAL REVENUES	800,000	800,000	546,183	(253,817)
EXPENDITURES:				
Current:				
Public services	51,200	51,200	44,487	6,713
Capital outlay	1,037,000	1,037,000	417,654	619,346
TOTAL EXPENDITURES	1,088,200	1,088,200	462,141	626,059
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(288,200)	(288,200)	84,042	372,242
OTHER FINANCING USES:				
Transfers out	-	-	(65,034)	(65,034)
NET CHANGE IN FUND BALANCE	(288,200)	(288,200)	19,008	307,208
FUND BALANCE - BEGINNING OF YEAR	1,036,368	1,036,368	1,036,368	-
FUND BALANCE - END OF YEAR	\$ 748,168	\$ 748,168	\$ 1,055,376	\$ 307,208

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 850,000	\$ 850,000	\$ 179,190	\$ (670,810)
Investment income	-	-	336,292	336,292
TOTAL REVENUES	850,000	850,000	515,482	(334,518)
EXPENDITURES:				
Current:				
General government	-	-	419	(419)
Public services	278,000	278,000	678,646	(400,646)
Capital outlay	65,000	65,000	-	65,000
TOTAL EXPENDITURES	343,000	343,000	679,065	(336,065)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	507,000	507,000	(163,583)	(670,583)
FUND BALANCE - BEGINNING OF YEAR	6,616,604	6,616,604	6,616,604	-
FUND BALANCE - END OF YEAR	\$ 7,123,604	\$ 7,123,604	\$ 6,453,021	\$ (670,583)

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 156,000	\$ 156,000	\$ 21,000	\$ (135,000)
Investment income	-	-	60,752	60,752
TOTAL REVENUES	<u>156,000</u>	<u>156,000</u>	<u>81,752</u>	<u>(74,248)</u>
EXPENDITURES:				
Current:				
Public services	-	-	18,189	(18,189)
Capital outlay	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>
TOTAL EXPENDITURES	<u>70,000</u>	<u>70,000</u>	<u>18,189</u>	<u>51,811</u>
EXCESS OF REVENUES OVER (UUNDER) EXPENDITURES	86,000	86,000	63,563	(22,437)
FUND BALANCE - BEGINNING OF YEAR	<u>1,210,095</u>	<u>1,210,095</u>	<u>1,210,095</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,296,095</u>	<u>\$ 1,296,095</u>	<u>\$ 1,273,658</u>	<u>\$ (22,437)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

TRAFFIC IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and fees	\$ 2,200,000	\$ 2,200,000	\$ 515,472	\$ (1,684,528)
Investment income	-	-	286,594	286,594
TOTAL REVENUES	<u>2,200,000</u>	<u>2,200,000</u>	<u>802,066</u>	<u>(1,397,934)</u>
EXPENDITURES:				
Current:				
General government	-	-	4,078	(4,078)
Public services	80,000	80,000	1,380,399	(1,300,399)
Capital outlay	<u>1,973,488</u>	<u>1,973,488</u>	<u>137,116</u>	<u>1,836,372</u>
TOTAL EXPENDITURES	<u>2,053,488</u>	<u>2,053,488</u>	<u>1,521,593</u>	<u>531,895</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	146,512	146,512	(719,527)	(866,039)
FUND BALANCE - BEGINNING OF YEAR	<u>5,602,695</u>	<u>5,602,695</u>	<u>5,602,695</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,749,207</u>	<u>\$ 5,749,207</u>	<u>\$ 4,883,168</u>	<u>\$ (866,039)</u>

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

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

ASSESSMENT DISTRICTS CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,956,370	\$ 1,956,370
Special assessments	150,000	150,000	62,013	(87,987)
Contribution from property owners	-	-	2,159,798	2,159,798
Miscellaneous	-	-	497,671	497,671
TOTAL REVENUES	150,000	150,000	4,675,852	4,525,852
EXPENDITURES:				
Current:				
General government	-	-	297,239	(297,239)
Capital outlay	197,028	197,028	44,716,476	(44,519,448)
TOTAL EXPENDITURES	197,028	197,028	45,013,715	(44,816,687)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(47,028)	(47,028)	(40,337,863)	(40,290,835)
FUND BALANCE - BEGINNING OF YEAR	72,809,610	72,809,610	72,809,610	-
FUND BALANCE - END OF YEAR	<u>\$ 72,762,582</u>	<u>\$ 72,762,582</u>	<u>\$ 32,471,747</u>	<u>\$(40,290,835)</u>

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 - MAJOR FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 34,355	\$ 34,355
Miscellaneous	14,883	14,883	-	(14,883)
TOTAL REVENUES	14,883	14,883	34,355	19,472
EXPENDITURES:				
Capital outlay	-	-	880,876	(880,876)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,883	14,883	(846,521)	(861,404)
OTHER FINANCING SOURCES:				
Transfers in	1,271,400	1,271,400	846,521	(424,879)
NET CHANGE IN FUND BALANCE	1,286,283	1,286,283	-	(1,286,283)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 1,286,283	\$ 1,286,283	\$ -	\$ (1,286,283)

See independent auditors' report.

CITY OF LAKE ELSINORE, CALIFORNIA

AGENCY FUNDS

June 30, 2008

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.

CITY OF LAKE ELSINORE, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2008

	Kangaroo Rat	Developer Deposit Trust	Assessment Districts	Lake Maintenance	Total Agency Funds
ASSETS					
Cash and investments	\$ 35,678	\$ 1,385,596	\$ 15,615,592	\$ -	\$ 17,036,866
Cash and investments with fiscal agents	-	-	15,713,021	3,650,322	19,363,343
Accrued interest receivable	-	-	81,670	5,535	87,205
Due from other governments	-	-	1,544,779	-	1,544,779
TOTAL ASSETS	\$ 35,678	\$ 1,385,596	\$ 32,955,062	\$ 3,655,857	\$ 38,032,193
LIABILITIES					
Accounts payable	\$ -	\$ 109,628	\$ 108,522	\$ -	\$ 218,150
Deposits and other liabilities	35,678	1,275,605	176,600	3,655,857	5,143,740
Due to other governments	-	363	3,098,312	-	3,098,675
Due to bondholders	-	-	29,571,628	-	29,571,628
TOTAL LIABILITIES	\$ 35,678	\$ 1,385,596	\$ 32,955,062	\$ 3,655,857	\$ 38,032,193

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, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
KANGAROO RAT				
ASSETS:				
Cash and investments	\$ 52,328	\$ -	\$ 16,650	\$ 35,678
LIABILITIES:				
Deposits and other liabilities	\$ 52,328	\$ -	\$ 16,650	\$ 35,678
DEVELOPER DEPOSIT TRUST				
ASSETS:				
Cash and investments	\$ 1,883,551	\$ -	\$ 497,955	\$ 1,385,596
LIABILITIES:				
Accounts payable	\$ 4,336	\$ 105,292	\$ -	\$ 109,628
Deposits and other liabilities	1,879,215	-	603,610	1,275,605
Due to other governments	-	363	-	363
TOTAL LIABILITIES	\$ 1,883,551	\$ 105,655	\$ 603,610	\$ 1,385,596
ASSESSMENT DISTRICTS				
ASSETS:				
Cash and investments	\$ 14,516,247	\$ 1,099,345	\$ -	\$ 15,615,592
Cash and investments with fiscal agents	15,813,233	-	100,212	15,713,021
Accrued interest receivable	148,945	-	67,275	81,670
Due from other governments	785,868	758,911	-	1,544,779
TOTAL ASSETS	\$ 31,264,293	\$ 1,858,256	\$ 167,487	\$ 32,955,062
LIABILITIES:				
Accounts payable	\$ 37,857	\$ 70,665	\$ -	\$ 108,522
Deposits and other liabilities	176,600	-	-	176,600
Due to other governments	3,160,969	-	62,657	3,098,312
Due to bondholders	27,888,867	1,682,761	-	29,571,628
TOTAL LIABILITIES	\$ 31,264,293	\$ 1,753,426	\$ 62,657	\$ 32,955,062

(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, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
LAKE MAINTENANCE				
ASSETS:				
Cash and investments with fiscal agents	\$ 4,180,066	\$ -	\$ 529,744	\$ 3,650,322
Accrued interest receivable	17,050	-	11,515	5,535
TOTAL ASSETS	<u>\$ 4,197,116</u>	<u>\$ -</u>	<u>\$ 541,259</u>	<u>\$ 3,655,857</u>
LIABILITIES:				
Deposits and other liabilities	<u>\$ 4,197,116</u>	<u>\$ -</u>	<u>\$ 541,259</u>	<u>\$ 3,655,857</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 16,452,126	\$ 1,099,345	\$ 514,605	\$ 17,036,866
Cash and investments with fiscal agents	19,993,299	-	629,956	19,363,343
Accrued interest receivable	165,995	-	78,790	87,205
Due from other governments	785,868	758,911	-	1,544,779
TOTAL ASSETS	<u>\$ 37,397,288</u>	<u>\$ 1,858,256</u>	<u>\$ 1,223,351</u>	<u>\$ 38,032,193</u>
LIABILITIES:				
Accounts payable	\$ 42,193	\$ 175,957	\$ -	\$ 218,150
Deposits and other liabilities	6,305,259	-	1,161,519	5,143,740
Due to other governments	3,160,969	363	62,657	3,098,675
Due to bondholders	27,888,867	1,682,761	-	29,571,628
TOTAL LIABILITIES	<u>\$ 37,397,288</u>	<u>\$ 1,859,081</u>	<u>\$ 1,224,176</u>	<u>\$ 38,032,193</u>

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, 2008

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 5,366,147
Building and structures	22,846,412
Improvements other than buildings	8,066,230
Machinery and equipment	2,898,493
Furniture and fixtures	593,616
Automotive	1,733,042
Infrastructure	160,941,335
Construction in progress	<u>2,523,266</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u><u>\$ 204,968,541</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General Fund	\$ 126,800,979
Office of Traffic and Safety Special Revenue Fund	672,037
Traffic Offender Special Revenue Fund	53,202
Gas Tax Special Revenue Fund	1,759,982
Transportation Special Revenue Fund	777,488
Lighting and Landscaping Special Revenue Fund	57,059
C.D.B.G. Special Revenue Fund	1,426,321
Developer Agreement Special Revenue Fund	379,000
Lakeside Facilities Special Revenue Fund	497,450
Assessment Districts Capital Projects Fund	46,918,339
Miscellaneous General Projects Capital Projects Fund	19,503,036
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	3,746,640
City Fire Protection Capital Projects Fund	122,902
Public Improvements Capital Projects Fund	363,664
Fire Station Capital Projects Fund	170,990
Park Improvement and Development Capital Projects Fund	<u>1,263,147</u>
 TOTAL INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE	 <u><u>\$ 204,968,541</u></u>

See independent auditors' report.

STATISTICAL SECTION

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2008

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.	122 - 131
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	133 - 137
<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.	138 - 144
<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.	145 - 146
<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.	147 - 150

CITY OF LAKE ELSINORE

NET ASSETS BY COMPONENT

Last Six Fiscal Years
(accrual bases of accounting)

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

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
\$ 97,369,896	\$ 125,539,928
173,307,658	151,937,522
<u>(92,504,071)</u>	<u>(96,240,481)</u>
<u>\$ 178,173,483</u>	<u>\$ 181,236,969</u>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Six 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
\$ 10,414,729	\$ 8,195,897
11,686,158	14,293,269
21,514,552	32,342,175
9,867,133	10,861,673
6,801,741	6,013,006
11,531,570	10,145,830
<u>71,815,883</u>	<u>81,851,850</u>
9,204,517	6,885,167
-	-
4,362,650	3,960,353
-	-
1,364,513	1,422,754
5,043,547	4,109,188
<u>42,085,516</u>	<u>2,159,798</u>
<u>62,060,743</u>	<u>18,537,260</u>
<u>(9,755,140)</u>	<u>(63,314,590)</u>
<u>\$ (9,755,140)</u>	<u>\$ (63,314,590)</u>

CITY OF LAKE ELSINORE

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Six Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year	
2007	2008
\$ 26,685,369	\$ 33,307,785
7,836,334	8,148,355
1,688,010	1,768,178
1,020,788	770,024
599,894	918,619
17,220,975	14,271,312
5,839,608	7,193,803
-	-
-	-
-	-
<u>60,890,978</u>	<u>66,378,076</u>
51,135,838	3,063,486
<u>\$ 51,135,838</u>	<u>\$ 3,063,486</u>

CITY OF LAKE ELSINORE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Six 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 six years of data for this schedule.

Fiscal Year	
2007	2008
\$ 9,936,859	\$ 9,476,355
<u>10,496,356</u>	<u>9,285,492</u>
<u>\$ 20,433,215</u>	<u>\$ 18,761,847</u>
\$ 215,008,475	\$ 188,270,868
7,921,415	10,731,428
(10,006,673)	(5,375,005)
<u>13,041,510</u>	<u>8,824,274</u>
<u>\$ 225,964,727</u>	<u>\$ 202,451,565</u>

CITY OF LAKE ELSINORE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Six 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
Capital outlay	2,228,982	2,649,498	2,055,243	17,094,933
Bond issuance costs	-	-	-	-
Debt service:				
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):				
Settlement	(1,250,000)	-	-	-
Contribution to RDA	(1,947,000)	-	-	-
Proceeds of refunding bonds	31,570,000	-	-	-
Debt issuance	-	-	391,811	81,065
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)
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 six years of data for this schedule.

Source: City Finance Department

Fiscal Year	
2007	2008
\$ 26,685,369	\$ 33,307,785
10,503,108	10,741,363
7,775,477	6,266,086
2,700,185	4,109,188
5,791,690	4,579,433
599,894	918,619
17,268,845	14,237,891
1,364,513	1,422,754
42,085,516	2,159,798
5,839,608	7,193,803
<u>120,614,205</u>	<u>84,936,720</u>
8,548,606	6,190,346
11,686,158	14,293,269
3,481,278	4,549,297
8,431,702	9,321,939
6,063,747	5,221,331
7,006,699	9,878,294
25,236,661	49,056,332
-	1,213,789
4,979,674	3,872,984
11,492,802	10,132,679
-	-
<u>86,927,327</u>	<u>113,730,260</u>
<u>33,686,878</u>	<u>(28,793,540)</u>
-	-
-	-
-	-
-	-
7,089,415	6,412,891
(7,089,415)	(6,412,891)
-	274,026
-	(3,117)
-	22,295,000
-	3,265,000
-	(22,221,899)
-	3,609,010
<u>\$ 33,686,878</u>	<u>\$ (25,184,530)</u>

26.7%

21.7%

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CITY OF LAKE ELSINORE

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City Direct Rate:*										
City basic rate	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394
Total City Direct Rate	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394	0.15394
Overlapping Rates:										
Special Districts	0.26808	0.26808	0.26808	0.26808	0.26808	0.26808	0.26808	0.26808	0.26698	0.26698
County of Riverside	0.22698	0.22698	0.22698	0.22698	0.22698	0.22698	0.22698	0.22698	0.22698	0.22698
School Districts	0.35680	0.35680	0.35680	0.35680	0.35680	0.35680	0.35680	0.35680	0.35680	0.35680
Total Direct Rate	1.00580	1.00580	1.00580	1.00580	1.00580	1.00580	1.00580	1.00580	1.00470	1.00470

* Redevelopment agency data was not available.

Notes:

In 1978 the voters of the State of California passed Proposition 13 which sets 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 voter approved bonds.

CITY OF LAKE ELSINORE
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (2)
Castle & Cooke Homes/ Outlet Center	\$ 121,469,432	2.53%	\$ -	0.00%
Centex Homes	77,591,539	1.61%	-	0.00%
Pulte Home Corp.	40,823,879	0.85%	-	0.00%
Pardee Homes	24,340,875	0.51%	-	0.00%
Harbor Grand Apartments Investment	23,951,362	0.50%	-	0.00%
Lake Elsinore 521	20,899,800	0.43%	-	0.00%
Laing CP Lake Elsinore	17,979,108	0.37%	-	0.00%
Elsinore Veto	16,691,976	0.35%	-	0.00%
Costco Wholesale Corp.	16,572,263	0.34%	-	0.00%
Wasson Canyon Holdings	16,502,078	0.34%	-	0.00%
MCG Outlet Centers LP	-	0.00%	62,992,650	5.58%
Albertsons Inc.	-	0.00%	9,769,476	0.87%
King Videocable Company	-	0.00%	16,796,721	1.49%
Wares Development Agreement	-	0.00%	12,935,971	1.15%
Oak Grove Equities	-	0.00%	10,107,610	0.90%
Mutual Life Insurance Company of New York	-	0.00%	9,553,080	0.85%
Depasquale Family Partnership	-	0.00%	8,029,294	0.71%
Magellan Harbor Grand Limited Partnership	-	0.00%	6,603,000	0.58%
TT Group, Inc.	-	0.00%	5,625,272	0.50%
Lake Elsinore Investors	-	0.00%	5,228,900	0.46%
	<u>\$ 376,822,312</u>	<u>7.84%</u>	<u>\$ 147,641,974</u>	<u>13.07%</u>

(1) 2007-08 Local Secured Assessed Valuation: \$ 4,805,770,856

(2) 1998-99 Local Secured Assessed Valuation: \$ 1,129,289,000

Source: California Municipal Statistics, Inc.; Riverside County Tax Collector's Office.

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
1999	\$ 887,133	\$ 884,274	99.68%	\$ 1,041	\$ 885,315	99.80%
2000	938,030	941,864	100.41%	9,852	951,716	101.46%
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%	91,817	1,834,230	126.82%
2007	1,714,890	2,131,576	124.30%	230,232	2,361,808	137.72%
2008	2,151,948	2,313,581	107.51%	67,656	2,381,237	110.65%

Note:

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

(1) Collections received through December 9, 2008.

Sources: County of Riverside, Auditor-Controller
City of Lake Elsinore Finance Department

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	
1999	\$ 1,129,289,000	\$ 48,737,000	\$ -	\$ 1,178,026,000
2000	1,184,665,000	51,746,000	-	1,236,411,000
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

Notes:

Exemption information not available for the fiscal years ended June 30, 1999 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
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%

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
1999	\$ 74,545,000	\$ 59,953,700	\$ 14,680,000	\$ 6,143,742
2000	74,150,000	61,650,000	14,680,000	5,643,210
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

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	Total Governmental Activities	Percentage of Personal Income	Debt per Capita
\$ 7,988,953	\$ 48,870	\$ 163,360,265	32.73%	\$ 5,576
7,750,915	36,092	163,910,217	31.48%	5,397
9,378,766	66,753	161,693,551	30.41%	5,245
8,787,427	44,682	159,141,766	29.53%	5,124
1,710,407	28,185	140,162,065	24.30%	4,243
1,270,901	57,992	137,318,707	21.61%	3,884
1,055,676	306,398	137,060,084	19.20%	3,603
1,012,501	234,021	134,157,982	17.43%	3,273
403,126	166,532	130,283,308	14.25%	2,735
356,589	93,478	131,285,324	12.58%	2,636

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		
1999	\$ 59,953,700	\$ 59,953,700	5.09%	\$ 2,046
2000	61,650,000	61,650,000	4.99%	2,030
2001	60,955,000	60,955,000	4.53%	1,977
2002	60,220,000	60,220,000	3.95%	1,939
2003	59,290,000	59,290,000	3.65%	1,795
2004	58,310,000	58,310,000	3.06%	1,649
2005	57,320,000	57,320,000	2.54%	1,507
2006	56,280,000	56,280,000	1.97%	1,373
2007	55,175,000	55,175,000	1.51%	1,158
2008	54,010,000	54,010,000	1.11%	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, 2008

City Assessed Valuation	\$ 4,925,752,248
Redevelopment Agency Incremental Valuation	2,310,323,613
Total Assessed Valuation	<u>\$ 7,236,075,861</u>

	Percentage Applicable (1)	Outstanding Debt 6/30/08	City's Share of Overlapping Debt 6/30/08
<u>Overlapping Tax and Assessment Debt:</u>			
Riverside County Flood Control District, Zone No. 3 Benefit Assessment District	45.248%	\$ 3,465,000	\$ 1,567,843
Metropolitan Water District	0.122%	327,215,000	399,202
Perris Union High School District	0.664%	58,452,260	388,123
Menifee Union School District	0.957%	14,058,922	134,544
Perris School District	0.346%	7,999,571	27,679
Lake Elsinore Unified School District Community Facilities Districts	100.000%	18,852,327	18,852,327
City of Lake Elsinore Community Facilities District No. 88-3	100.000%	29,469,999	29,469,999
City of Lake Elsinore Community Facilities District No. 90-2	100.000%	17,785,000	17,785,000
City of Lake Elsinore Community Facilities District No. 95-1	100.000%	1,325,000	1,325,000
City of Lake Elsinore Community Facilities District No. 98-1	100.000%	17,660,000	17,660,000
City of Lake Elsinore Community Facilities District No. 2003-2	100.000%	32,710,000	32,710,000
City of Lake Elsinore Community Facilities District No. 2004-3	100.000%	46,035,000	46,035,000
City of Lake Elsinore Community Facilities District No. 2005-1	100.000%	9,125,000	9,125,000
City of Lake Elsinore Community Facilities District No. 2005-2	100.000%	24,675,000	24,675,000
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%	3,525,000	3,525,000
City of Lake Elsinore Community Facilities District No. 2006-2	100.000%	7,290,000	7,290,000
City of Lake Elsinore 1915 Act Bonds	100.000%	22,098,468	22,098,468
Total overlapping tax and assessment debt			<u>\$ 236,333,185</u>
<u>Direct and Overlapping General Fund Debt:</u>			
Riverside County General Fund Obligations	1.505%	\$ 710,562,556	\$ 10,558,516
Riverside County Pension Obligations	1.505%	387,995,000	5,839,325
Riverside County Board of Education Certificates of Participation	1.505%	9,275,000	139,589
Mount San Jacinto Community College District Certificates of Participation	3.736%	12,995,000	485,493
Lake Elsinore Unified School District Certificates of Participation	29.498%	13,395,000	3,951,257
Perris Union High School District General Fund Obligations	0.664%	34,165,000	226,856
Menifee and Perris School District Certificates of Participation	0.957 & 0.346%	16,210,000	100,140
City of Lake Elsinore General Fund Obligations	100.000%	14,435,000	14,435,000
Elsinore Water District Certificates of Participation	54.921%	376,162	206,592
Ortega Trail Recreation and Park District Certificates of Participation	45.426%	330,000	149,906
Total gross direct and overlapping general fund debt			<u>36,092,674</u>
Less: Perris Union High School District self-supporting obligations			<u>33,200</u>
Total net direct and overlapping general fund debt			<u>\$ 36,059,474</u>
Gross combined total debt (2)			<u>\$ 272,425,859</u>
Net total direct and overlapping debt			<u>\$ 272,392,659</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			
	1999	2000	2001	2002
Assessed valuation	\$ 1,178,026,000	\$ 1,236,411,000	\$ 1,346,900,000	\$ 1,525,792,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	294,506,500	309,102,750	336,725,000	381,448,000
Debt limit percentage	15%	15%	15%	15%
Debt limit	44,175,975	46,365,413	50,508,750	57,217,200
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 44,175,975</u>	<u>\$ 46,365,413</u>	<u>\$ 50,508,750</u>	<u>\$ 57,217,200</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 1,626,026,872	\$ 1,907,367,963	\$ 2,243,178,491	\$ 2,851,510,537	\$ 3,648,621,060	\$ 4,887,272,022
25%	25%	25%	25%	25%	25%
406,506,718	476,841,991	560,794,623	712,877,634	912,155,265	1,221,818,006
15%	15%	15%	15%	15%	15%
60,976,008	71,526,299	84,119,193	106,931,645	136,823,290	183,272,701
-	-	-	-	-	-
<u>\$ 60,976,008</u>	<u>\$ 71,526,299</u>	<u>\$ 84,119,193</u>	<u>\$ 106,931,645</u>	<u>\$ 136,823,290</u>	<u>\$ 183,272,701</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
		Principal	Interest	
1999	\$ 6,352,824	\$ 16,008,409	\$ 4,129,065	0.32
2000	7,022,664	973,570	3,941,094	1.43
2001	7,564,231	1,364,959	3,694,508	1.50
2002	8,400,465	1,365,504	3,663,230	1.67
2003	9,824,602	1,377,603	3,992,473	1.83
2004	9,749,507	1,413,940	3,635,594	1.93
2005	13,136,081	1,300,793	3,629,620	2.66
2006	18,500,277	1,932,704	3,888,298	3.18
2007	21,112,545	2,307,832	4,108,847	3.29
2008	26,484,367	1,688,978	3,663,448	4.95

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

CITY OF LAKE ELSINORE

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Personal Income (2)	Per Capita Personal Income (3) *	Unemployment Rate (4)
1999	29,297	\$ 499,103,692	\$ 17,036	5.30%
2000	30,370	520,602,540	17,142	5.50%
2001	30,831	531,773,088	17,248	5.20%
2002	31,056	538,976,880	17,355	6.30%
2003	33,035	576,725,030	17,458	6.60%
2004	35,358	635,312,544	17,968	5.80%
2005	38,045	713,876,380	18,764	5.10%
2006	40,985	769,821,255	18,783	4.90%
2007	47,634	914,525,166	19,199	5.70%
2008	49,807	1,043,606,071	20,953	7.73%

Sources:

(1) State Department of Finance

(2) Riverside County Per Capita Personal Income times the City of Lake Elsinore population

* (3) ESRIB's Estimates and Forecast, Housing Report 2000 - City of Lake Elsinore, City Finance Department

(4) State of California Employment Development Department

CITY OF LAKE ELSINORE

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2008		1999	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Lake Elsinore Outlet Center	1,169	7.13%	1,169	10.17%
Lake Elsinore Unified School District	1,060	6.46%	-	0.00%
Costco	250	1.52%	-	0.00%
Wal-Mart	228	1.39%	400	3.48%
Pacific Clay	200	1.22%	130	1.13%
Lowe's	200	1.22%	-	0.00%
Home Depot	200	1.22%	-	0.00%
Target	200	1.22%	-	0.00%
Albertson's	195	1.19%	125	1.09%
Lake Elsinore Storm	175	1.07%	250	2.17%
Stater Brothers	-	0.00%	131	1.14%
Lake Elsinore Resort/Casino	-	0.00%	200	1.74%
Labeda Wheels/Precision Sports	-	0.00%	150	1.30%
Von's	-	0.00%	145	1.26%
Sizzler	-	0.00%	100	0.87%

"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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	16	17	17	18	17	19	18	21	26	26
Community Services (includes Public works)	31	32	34	36	34	37	36	41	52	52
Community development	15	16	16	17	17	18	17	20	23	23
Total	<u>62</u>	<u>65</u>	<u>67</u>	<u>71</u>	<u>68</u>	<u>73</u>	<u>71</u>	<u>82</u>	<u>101</u>	<u>101</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			
	1999	2000	2001	2002
Police:				
Lake related boating enforcement citations	n/a	n/a	1,160	1,048
Hazardous traffic violations	n/a	n/a	n/a	597
Public works:				
Centerline miles of paved surface streets maintained	n/a	n/a	129	129
Centerline miles of dirt surface streets maintained	n/a	n/a	n/a	n/a
Weed abatement-lots cleaned	n/a	n/a	936	890
Community Development:				
Construction permits issued	1,012	821	989	1,549
Property value per permits (estimated in 000's)	\$ 64,661	\$ 52,181	\$ 68,503	\$ 126,600
New home building permits issued	304	275	301	844
Parks and recreation:				
Daily lake use passes sold	n/a	n/a	36,714	35,700

n/a=not available

Source: City of Lake Elsinore, Various Departments

Fiscal Year					
2003	2004	2005	2006	2007	2008
1,091	800	703	808	625	100
519	1,533	1,500	2,376	2,500	5,000
135	140	140	140	143	155
21	21	21	13	12	10
860	890	552	706	700	581
1,838	2,361	3,516	4,260	2,527	1,604
\$ 159,346	\$ 153,186	\$ 242,988	\$ 462,204	\$ 153,013	\$ 78,680
550	766	1,317	1,355	450	74
26,550	28,500	26,530	34,835	32,018	36,000

CITY OF LAKE ELSINORE
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	-	1	1	1	2	2	3	3	3	3
Public works:										
Street (miles)	153.3	153.3	153.3	153.3	153.3	153.3	153.3	156	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	13	12	12	12	12	12	12	12	15	15
Beaches and Recreation										
Facilities	n/a	n/a	n/a	n/a	8	8	8	8	8	8
Libraries	1	1	1	1	1	1	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
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