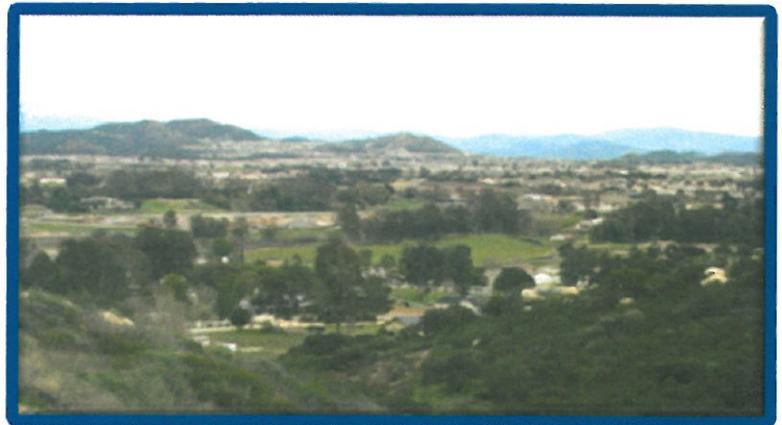
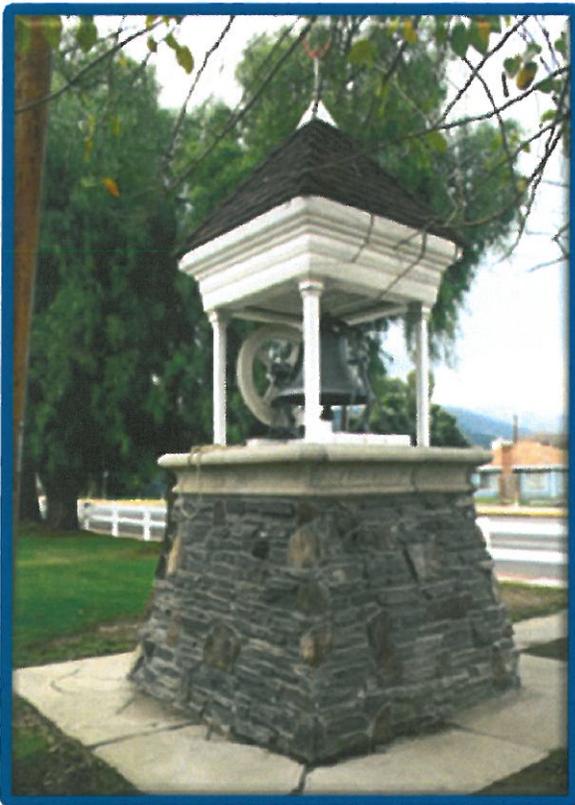


City Of
Wildomar
CALIFORNIA



**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

Fiscal Year Ended June 30, 2011

CITY OF WILDOMAR, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared By:
Finance Department

CITY OF WILDOMAR
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

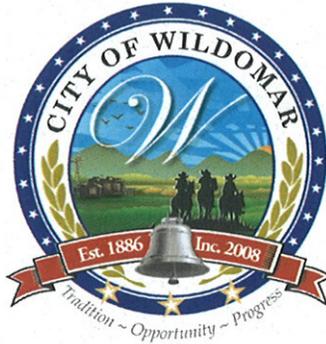
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Marsha Swanson, Mayor
Ben Benoit, Mayor Pro Tem
Bob Cashman, Council Member
Bridgette Moore, Council Member
Timothy Walker, Council Member



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Wildomar, CA 92595
951.677.7751 Phone
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Honorable Mayor, City Council,
And Citizens of the City of Wildomar
City of Wildomar
Wildomar, CA 92595

December 12, 2011

**Letter of Transmittal
Fiscal Year 2010-11 Comprehensive Annual Financial Report (CAFR)**

Dear Honorable Mayor, Council Members and Wildomar Citizens,

I am pleased to present the 2010-11 Comprehensive Annual Financial Report for the City of Wildomar, California for the fiscal year ended June 30, 2011.

This report consists of management representations concerning the finances of the City of Wildomar in its third year of incorporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Wildomar continues to establish a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Wildomar's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Wildomar's comprehensive framework of internal controls is being designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State Law and the City's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB).

The City of Wildomar's financial statements have been audited by Lance, Soll and Lunghard, LLP, a firm of certified public accountants and consultants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Wildomar for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative of introductions, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Wildomar's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

Profile of the Government

The area of Wildomar located in southwest Riverside County, incorporated as a City, July 1, 2008. This newly incorporated city is approximately 70 miles north of San Diego and 60 miles southeast of Los Angeles. The City boundaries encompass 24 square miles providing a "Rural Ranch" lifestyle for its 32,176 residents.

The City Council consists of 5 Council Members, elected at large on a no-partisan basis and annually select amongst them, a Mayor and Mayor Pro Temp. Bi-annual elections are held in November. The terms of office are 4 years but are overlapping so that the City is provided with a continuity of knowledge in the City business and legislative matters.

This report includes all funds of the City. It includes all governmental organizations and activities for which the City of Wildomar's City Council is financially accountable. The City provides the full range of municipal services normally associated with a municipality including general administration, police and fire protection, the construction and maintenance of streets, and related infrastructure, recreational activities and economic development.

The Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as the appointment of members of various statutory and advisory boards and the City Manager and City Attorney. As Chief Administrative Officer, the City Manager has the responsibility of administering programs in accordance with policies established by the City Council and within the guidelines of the annual budget adopted by the Council.

The Budget Process

The annual budget serves as the foundation for the City of Wildomar's financial planning and control. The development of the budget is completed as two separate projects: the development of the governmental activities program budget, and the development of the capital improvement program focusing on longer term capital projects.

All departments of the City of Wildomar are required to submit requests for appropriation for all governmental activities to the City Manager by the end of March of each year. The City Manager and the finance department use these requests as the starting point for developing a proposed budget for the governmental activities.

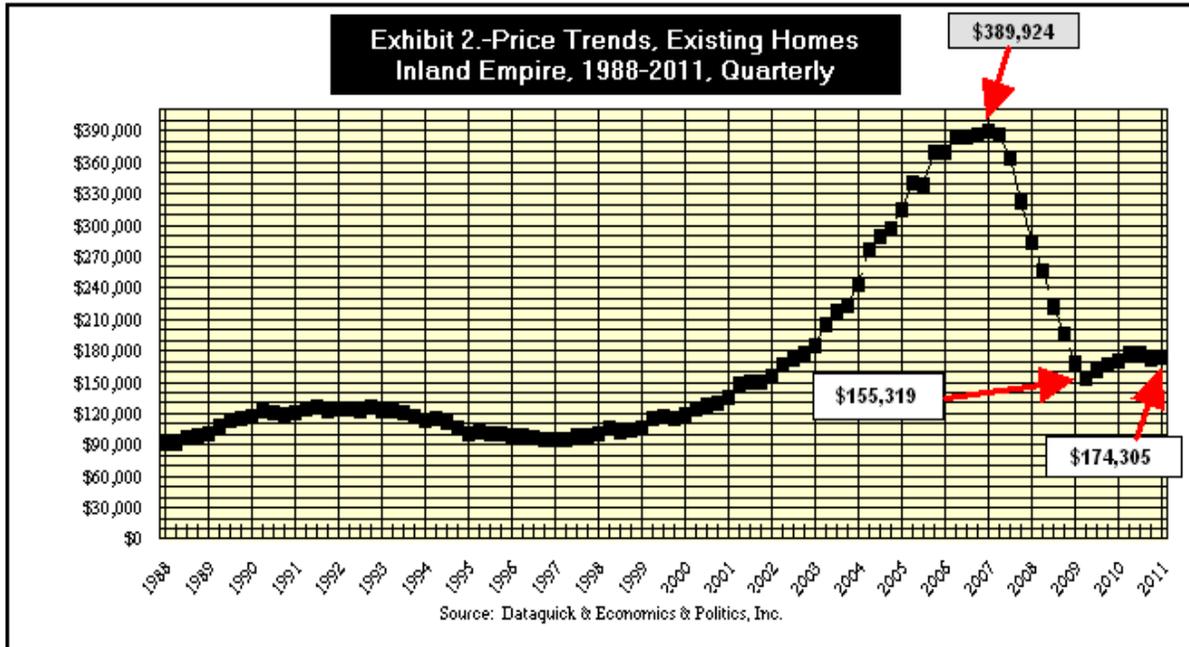
The Ad-Hoc Finance Committee meets with the City Manager at a workshop in mid-April. The City Manager presents the proposed budget for all governmental activities to the City Council at the first Council meeting in June for review. The City Council is required to hold a public hearing on the proposed budget which is generally held at the second meeting in June. The governmental activities budget is generally adopted at the second Council meeting in June.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Wildomar operates.

Local Economy

The City of Wildomar, in its third year of incorporation, has been experiencing the same anemic economic environment as the rest of the State. High unemployment and reduced property valuations have significantly affected the financial condition of this new city.



The origin and financial projections for this city were based on the Comprehensive Financial Analysis report (CFA). This report projected the proposed city's fiscal stability based on the economic trends of 2005. All fiscal projections used this as the base year and annually increased revenues on these historic "boom" trends. The city was truly conceived during the economic boom and born into the worst recession this generation has seen. Compounding this is Wildomar's proximity to the Inland Empire (Riverside and San Bernardino counties) which is one of the leaders in the decline in housing values (up 55% in four years) and high unemployment (15.4%).

The decline in housing values has a direct impact on the City's property tax revenues. The CFA report, prepared using 2005-06 data, projected property tax revenue for the City during FY 2010-11 to exceed \$4.8 million. However, the CFA did not project the economic downturn with has left the city with less than \$2.8m in property tax revenues for the FY 2010-11.

The 42% reduction in property tax revenues is compounded by the effects of the high unemployment in the southwest Riverside County region during the past several years. This is primarily due to the drop in construction activity in Wildomar and the surrounding Riverside County areas, as many of the jobs were in the construction industry. This high unemployment rate contributes to the lower than expected sales tax revenues as the consumer has less confidence in the economy and less money to spend on taxable items.



The City management, working with the ad-hoc finance subcommittee was very sensitive to these fiscal impacts and recommended numerous changes during the quarterly budget reviews and public hearing meetings.

Current Year Initiatives

In spite of these fiscal issues outside of the City's direct control, management continued to move the city forward with larger City and organizational-wide initiatives such as:

- Utilizing the Ad-Hoc Economic Development Committee to develop marketing materials targeting Commercial and Hospitality development and conducting regularly scheduled round table meetings with the development and business community.
- Issued 132 Building Permits, including 19 new homes for total increased property valuation of \$6.2 million.
- Renegotiated all the major city contracts to balance the budget for 2010-11 fiscal year.
- Started the process of establishing the Wildomar Cemetery District as a subsidiary district of the City as part of a cost saving merger.
- Revising the City's Housing Element to comply with State law.
- Securing a \$125,000 Grant from the Southern California Association of Governments (SCAG) to begin a long term planning effort for Wildomar's "Old Town" area of the city.
- Expansion of the Unpaved Roadway Assessment Program.
- Continued transition of County of Riverside Transportation Uniform Mitigation Fee (TUMF) capital projects to the City including Bundy Canyon Road, Grand Avenue, and Clinton Keith Widening Project.

- Transitioned the funding selection for the Community Development Block Grant (CDBG) program from the County to the City as part of a larger local control effort on behalf of the City Council.

Long-term Financial Planning and Initiatives

The City will continue to focus its emphasis on controlled and fiscally balanced growth. The City believes that with the appropriate policies in place, as approved and revisited each quarter as part of the budget program, the City's long term financial goals will be met. The City has taken many steps to control expenditure growth and these steps will continue to be reviewed.

Relevant Financial Policies

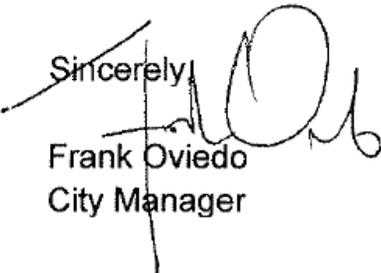
The City has a set of financial policies that it abides by and is continually enhancing and adding relevant policies as it develops its formal financial systems. Initially following incorporation, the City adopted all of the County's policies/codes. As the City develops its own unique needs, it will continue to create and tailor these former County policies to directly address the City's goals.

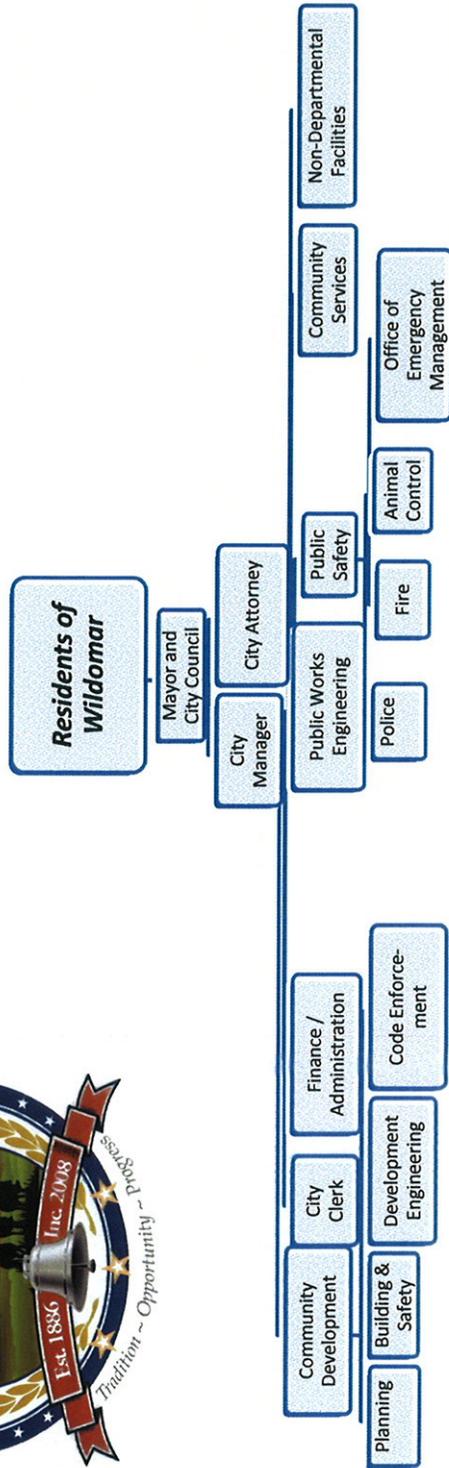
Concluding remarks

The City, in its third year of operation, has achieved a great deal in transitioning from the County support services and establishing its own culture and approach to local governance. This third year provided the city the opportunity to start the implementation of its longer term oriented policies and procedures and making adjustments as needed.

In closing, I'd like to state that the preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance, public works, planning and administration departments. I would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Recognition is also extended to Lance, Soll and Lunghard LLP, audit management team, for their dedication and expertise, which contributed significantly to the report quality and adherence to professional accounting standards. Credit also must be given to the Mayor and City Council for their support for striving to have the highest standards of professionalism in the management of the City of Wildomar's finances.

Sincerely,


Frank Oviedo
City Manager





Marsha Swanson, Mayor
Ben Benoit, Mayor Pro Tem
Bob Cashman, Council Member
Bridgette Moore, Council Member
Timothy Walker, Council Member

City Manager
Frank Oviedo

City Attorney
Julie Hayward Biggs

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wildomar
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Wildomar, 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 Wildomar, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the 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 opinion.

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, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, Gas Tax Special Revenue Fund, Measure A Special Revenue Fund and Development Impact Fees Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the City's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Honorable Mayor and Members of City Council
City of Wildomar, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Luyhard, LLP

Brea, California
November 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A UNAUDITED)

For the Year Ended June 30, 2011

As management of the City of Wildomar, we offer readers of the City of Wildomar's financial statements this narrative overview and analysis of the financial activities of the City of Wildomar for its third fiscal year of operation which ended June 30, 2011. This the third year of incorporation for the City and thus comparative data is limited to three years. We encourage the reader to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vi of this report.

THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. You can think of this relationship between revenues and expenses as the City's operating results. You can think of the City's net assets, as measured in the Statement of Net Assets, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do.

For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, in assessing the overall health of our City.

- The assets of the City of Wildomar exceeded its liabilities as of June 30, 2011, by \$14,515,080. The total net assets include all infrastructures of the governmental funds.
- The City of Wildomar's total net assets decreased by \$389,886 or 2.6%.
- As of June 30, 2011, the City of Wildomar's governmental funds reported combined ending fund balances of \$4,096,048, an increase of \$694,560 in comparison to the prior year. Approximately 25 percent of this total or \$1,037,241 is available for spending at the government's discretion (*unassigned*). As of June 30, 2011, the unassigned fund balance for the general fund was \$1,138,893 or approximately 14 percent of total general fund expenditures.

- The City of Wildomar's total general obligation debt increased by \$111,777 during FY 2010-11 due to the accrual of interest on the loan for services provided by the County during the City's FY 2008-09 transition year in the amount of \$73,949. This loan, including both general fund and special revenue funds, is now valued at \$1,922,674. The additional increase is due to an increase in the liability for compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Wildomar's basic financial statements. These basic financial statements are comprised 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.

Government-wide financial statements

As previously discussed, government-wide financial statements detail all capital assets, including infrastructure, depreciation, and long-term debt. Specifically, these statements are designed to provide an expansive overview of the City's finances. Given its scope and in an effort to adequately present this data in a comprehensible format, the government-wide financial statements are divided into two subcategories, the Statement of Net Assets and the Statement of Activities. These statements reasonably chart long and short-term information regarding the City's financial condition.

The City's statements provide a manageable yet comprehensive view of the City's economic position, appropriately accounting for all revenue and expenses during the specified fiscal year. To accomplish this, government-wide financial statements are reported utilizing the flow of economic resources (cost of services) measurement focus and the accrual method of accounting. Using the flow of economic resources measurement focus allows the City to provide financial transparency insofar as all assets and liabilities are listed on the Statement of Net Assets. The added use of the accrual basis of accounting allows the City a 'real-time' advantage as revenues are recognized when earned and expenses are recognized when incurred.

The Statement of Net Assets outlines the City's assets and liabilities. The difference between the assets and liabilities is recorded as net assets (assets - liabilities = net assets). While fluctuations are expected, over time increases or decreases in the City's net assets could be used to gauge the City's financial standing in order to ascertain whether it is improving or deteriorating.

The *Statement of Activities* demonstrates how the City's net assets evolve during the current fiscal year. Specifically, this statement provides comparative analysis between direct expenses and program revenues for each functional activity of the City. In this forum, net asset changes are recorded in real time when triggered by underlying events without respect to the timing of the related cash flows. Because of this it is expected that revenue and expenses for some items (such as uncollected taxes and earned but unused vacation and/or sick leave) will result in recorded cash flows in future fiscal periods.

Combined, the *Statements* reveal functions of the City that can be divided into two categories:

- 1) Governmental activities, and
- 2) Business-type activities.

Governmental activities are chiefly supported by a) taxes elicited from such sources as utility user's tax, transient occupancy tax, sales tax, property tax, and franchise tax, and by b) intergovernmental revenues such as motor vehicle in-lieu fees.

Governmental activities of the City are inclusive of general government, police, public works, traffic and transportation, community development, and community services such as parks and recreation. As mentioned earlier, tax revenue principally funds these activities. Consequently, a good portion of the City's basic services is reported in this category.

The Government-wide Financial Statements can be found in the Table of Contents under Basic Financial Statements.

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 Wildomar, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Specifically, these Fund Financial Statements cover segregated groupings of related accounts whose funds have been designated for specific activities or purpose. They provide a detailed

accounting of revenue and expenditures, assets and liabilities, and remaining fund balances for each fund. This helps to ensure and demonstrate finance related legal compliance.

Fund financial statements differ from activity reports due to the way capital outlay, depreciation; long-term debt, compensated absences, deferred revenues, and intergovernmental receivables are reported. The impact of these differences is laid out in the notes accompanying the financial statements.

Funds required by State law (i.e., Highway Users Tax) are part of the fund financial statements. Likewise, other funds (i.e., Developer Impact Fees, and Grants) established to provide the City with tighter fiscal controls and accountability are itemized on these statements.

Governmental funds

Governmental funds are reported in essentially the same fashion as governmental activities in the government-wide financial statements with an exception--- governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources. This means governmental fund financial statements identify current sources and uses of money within the immediate fiscal year. Benefits derived include a detailed *short-term view* of the City's general government operations and the basic services it provides, which assist in determining whether there are sufficient financial resources available to meet the City's current needs.

Since the scope of the governmental funds is different than that of the government-wide financial statements, it is beneficial to comparatively examine information presented for the governmental funds with information presented for governmental activities in the government-wide financial statements.

The reader gains a clearer picture of the long-term impacts current financial decisions might yield. When examined together, the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide the reader with a different snapshot that identifies variances between the two different methodologies of accounting for governmental activities and governmental funds.

The City of Wildomar maintains thirteen 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, Special Revenue Funds and Other Governmental Funds

(Community Service Areas and Landscape Maintenance District). Data from the twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* later in this report.

Proprietary funds record revenues when they are earned and record expenses at the time liabilities are incurred. Proprietary funds can be divided into two fund types: enterprise funds and internal service funds. Enterprise funds display financial activities operating in a similar fashion to a business enterprise. Specifically, these funds account for services for which the City charges a user fee. Enterprise funds are documented in the business-type activities section of the governmental-wide financial statements. They account for operations that provide services primarily to customers outside the financial reporting entity (the City). The City of Wildomar does not have any Proprietary Funds to report.

Internal service funds are generally used to accumulate and allocate costs internally among the City's various functions. These funds might include general benefits and insurance, duplicating and printing, office maintenance, architectural services, and information technology, to name a few. Given these services largely benefit governmental activities rather than business-type functions, City services that might ordinarily be reported in this area have been included with governmental activities in the government-wide financial statements. The City of Wildomar does not have any Internal Service Funds to report.

The City of Wildomar adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21 through 22 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found in the Table of Contents under the heading Notes to Financial Statements.

Other Supplementary Information

In addition to the basic financial statements and included within the notes, this report also presents certain *supplementary information*. The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds and Community Service Area Capital Project Funds. The supplementary financial information also includes budgetary comparison schedules for the non-major governmental funds to demonstrate compliance with the annual budget as adopted and amended. The Supplementary Information can be found following the Notes to the Basic Financial Statements.

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 Wildomar, assets exceeded liabilities by \$14,515,080 at June 30, 2011. Infrastructure assets of the governmental activities are included within this report. The general capital assets (e.g., land, buildings, machinery, infrastructure, and equipment) of the governmental activities of the City of Wildomar is the largest portion of the City's net assets (85%).

Table 1 Net Assets-Primary Government

City of Wildomar			
Summary of Net Assets			
For the Year Ended June 30, 2011			
		Governmental Activities	
	2011	2010	Change
Assets:			
Current and other assets	\$ 6,445,594	\$ 5,157,998	\$ 1,287,596
Capital assets	12,329,670	13,341,779	(1,012,109)
Total Assets	<u>18,775,264</u>	<u>18,499,777</u>	<u>275,487</u>
Liabilities:			
Other Liabilities	2,285,577	1,731,981	553,596
Long-term Liabilities	1,974,607	1,862,830	111,777
Total Liabilities	<u>4,260,184</u>	<u>3,594,811</u>	<u>665,373</u>
Net Assets:			
Invested in capital assets, net of related debt	12,329,670	13,341,779	(1,012,109)
Restricted	2,723,301	2,381,603	341,698
Unrestricted	(537,891)	(818,416)	280,525
Total Net Assets	<u>\$ 14,515,080</u>	<u>\$ 14,904,966</u>	<u>\$ (389,886)</u>

During the fiscal year ended June 30, 2011, net assets were \$14,515,080, of which \$12,329,670 is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$2,723,301 is restricted to specifically stipulated spending agreements originated by law, contract or other agreements. Of note is the fact that the City has no outstanding debt related to capital assets held.

Table 2 Changes in Net Assets-Primary Government

City of Wildomar			
Changes in Net Assets - Primary Government			
For the Year Ended June 30, 2011			
	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues			
Charges for Service	\$ 771,174	\$ 865,329	\$ (94,155)
Operating Grants and Contributions	2,918,349	3,472,911	(554,562)
Capital Grants and Contributions	226,422	-	226,422
General Revenues			
Sales Taxes	1,226,227	1,096,907	129,320
Property Taxes	3,092,037	2,743,768	348,269
Other Taxes	2,791,601	2,930,609	(139,008)
Other Revenues	32,882	84,030	(51,148)
Use of Money and Property	7,737	9,682	(1,945)
Total Revenues	11,066,429	11,203,236	(136,807)
Expenses			
General Government	2,231,313	1,798,566	432,747
Public Safety	5,413,023	5,378,962	34,061
Community Development	1,069,198	1,786,894	(717,696)
Parks and Recreation	297,168	341,458	(44,290)
Public Works	2,371,664	2,741,040	(369,376)
Interest on Long-term debt	73,949	71,105	2,844
Total Expenses	11,456,315	12,118,025	(661,710)
Increase (Decrease) in Net Assets	(389,886)	(914,789)	524,903
Beginning Net Assets	14,904,966	15,707,445	(802,479)
Restatement of Net Assets	-	112,310	(112,310)
Ending Net Assets	\$ 14,515,080	\$ 14,904,966	\$ (389,886)

As of the date of this report, property taxes were the single greatest source of City revenues for governmental activities. Total revenues collected for governmental activities decreased by \$136,807 (1.2%) as compared to the fiscal year 2009-10. This minor reduction indicates a stabilization of the current revenue sources.

Of significant note is the increase of 4.2% when comparing the total general revenues for fiscal year 2009-10 of \$6,864,996 to fiscal year 2010-11 of \$7,150,484. The increases are in the areas of Sales Taxes and Property Taxes. Complementing this condition, the expenses in most categories reflect the conservative fiscal policies the City Council enacted during the quarterly financial reviews which has reduced expenditures. The expenses are \$661,710 or 5.4% less than the prior year.

Financial Analysis of Governmental Funds

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

Governmental Funds

As stated, governmental fund financial statements identify current sources and uses of money. Benefits derived include a detailed *short-term view* of the City's general government operations and the basic services it provides, which assists in determining whether there are sufficient financial resources available to meet the City's current needs.

The financial position of the City's governmental funds has increased when compared to the previous fiscal year. The total ending fund balance for the City's governmental funds was \$4,096,048 which represented a \$694,560 or (20%) increase from the prior fiscal year. The majority of the increase was due to the General, Gas Tax and Development Impact Funds.

Approximately 25 percent of the total ending balance of \$4,096,048, or \$1,037,241 constitutes unassigned fund balance, which is available for spending at the government's discretion, \$2,723,301 or 66 percent represents restricted fund balance and \$335,506 or 8 percent represents nonspendable fund balance.

Governmental activities increased the City of Wildomar's fund balances by \$694,560. This net increase is primarily attributed to an increase of tax revenues.

Other Major Funds Budgetary Highlights:

Gas Tax and Measure A Funds

These funds are primarily used to record the expenditure of funds for road maintenance and capital transportation projects. Their source of funding is State taxes on gasoline and Measure A receives funding from a county-wide voter approved sales tax.

Development Impact Fees

These funds are used to record the capital expenditures of funds various improvements needed to meet the increased demands associated with new development, primarily residential. Capital facility expansions are pre-determined and are constructed when the collected fees fully fund the improvement. No improvements were authorized for construction during fiscal year 2010-11.

Other Governmental Funds-Community Service Area (CSAs) Funds

As a part of the incorporation of the City, five former CSAs were fully detached from the County in 2010 and transferred to the City. These funds provide services for street lights and landscape maintenance. The landscape and maintenance district for parks, known as LMD 2006-1 lost its assessment powers (funding source) as the California Courts found that engineering report did not meet the most recent criteria for benefit determination. Due to this change, no assessments were levied during FY 2010-11. The City conducted an election to re-establish the assessment but this election did not achieve the 66.6% needed for approval. Pledged funds from other organizations, to keep the parks open, did not materialize and the fund is currently in a deficit position.

General Fund Financial Highlights

The General Fund is the primarily funding source for the City. At fiscal year end, the unassigned fund balance of the general fund was \$1,138,893 or 13.7% of the City's expenditures of \$8,318,347. The ending fund balance is \$429,985 more than the beginning fund balance. This change in fund balance is directly attributable to the increase the collection of prior years' property taxes and a one-time sales tax adjustment of \$113,593 stemming from the triple-flip calculation of the prior year.

As previously mentioned, the effects of the local economy continue to dramatically impact the City's main general fund revenue sources.

- The Property Tax Revenues increased by \$264,135 (9.6%) during the year. The increase is primarily due to the \$151,923 collection of prior year property taxes. The Sales Tax Revenue increase of \$128,320 (11.6%) again is reflective of a one-time event of \$113,593. Aside from these events, in both major revenue categories, the past year's activity demonstrates a stabilization and possible bottom the local economic trends.
- The reduction in Other Taxes \$139,008 (5.0%) is due to the Motor Vehicle License Fee (MVLFF) planned reduction of 10% for newly incorporated cities. To assist newly incorporated cities, financially, the State initially disburses an

additional 50% the first year of incorporation, decreasing this additional amount by 10% for five years until it reaches its normal level. The MVLF revenues were \$248,712 less than the prior year's revenues of \$2,226,922.

Overall total General Fund expenditures were \$8,318,347 compared to \$8,901,276 incurred last year. The reduction of \$589,929 (6.5%) was in direct response to management's directives to reduce expenditures due to the economy. The more significant expense variances for the governmental activities compared to the prior year consist of the following:

- Community Development expenses were \$520,771 (33%) less than last year's expenses which is a direct reflection of the downturn in construction activity in the City.
- Parks and Recreation is \$102,249 (100%) less than the prior year due to the loss of the landscape and maintenance district's assessment and the reduction of programs and activities at the parks.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the General Fund Expenditures and the adopted **Original** Budget was an under-run of \$875,163 (9.5%). The difference between the General Fund Expenditures and the Adopted **Final** Budget was a net over-run of \$74,897 and can be briefly summarized as follows:

- (\$198,275) net overage in Engineering/Public Works due to an unbudgeted payment for land (right-of-way) for the Clinton-Keith overpass project. This project's cost will be reimbursed from a non-general fund as planned.

These net overall decreases from the Original Budget can be attributed to the conservative expenditure plan constantly reviewed through the fiscal year as well as the conservative budgeting of anticipated revenues for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets (Table 3) for its governmental activities as of June 30, 2011, is \$13,341,779 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, furniture and equipment, infrastructure and construction in progress. For more information, please refer to Note 4 in the Notes to Financial Statements. The Capital Assets of the City are those assets which are used in the performance of the City’s functions including infrastructure assets. Depreciation on capital assets is recognized in the Government-wide financial statements.

Table 3 Summary of Changes in Capital Assets

City of Wildomar				
Summary of Changes in Capital Assets				
For the Year Ended June 30, 2011				
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 713,489	\$ -	\$ -	\$ 713,489
Right-of-way	128,000	226,422	-	354,422
Total Capital Assets, Not Being Depreciated	<u>841,489</u>	<u>226,422</u>	<u>-</u>	<u>1,067,911</u>
Capital Assets, being depreciated:				
Buildings and Improvements	6,526,256	-	-	6,526,256
Furniture, fixtures and Equipment	11,765	-	-	11,765
Infrastructure	36,285,648	-	-	36,285,648
Total Capital Assets, Being Depreciated	<u>42,823,669</u>	<u>-</u>	<u>-</u>	<u>42,823,669</u>
Less Accumulated Depreciation				
Buildings and Improvements	652,626	217,542	-	870,168
Furniture, fixtures and Equipment	3,530	3,346	-	6,876
Infrastructure	29,667,223	1,017,643	-	30,684,866
Total Accumulated Depreciation	<u>30,323,379</u>	<u>1,238,531</u>	<u>-</u>	<u>31,561,910</u>
Total Capital Assets, Being Depreciated, Net	<u>12,500,290</u>	<u>(1,238,531)</u>	<u>-</u>	<u>11,261,759</u>
Government Activities Capital Assets, Net	<u>\$ 13,341,779</u>	<u>\$ (1,012,109)</u>	<u>\$ -</u>	<u>\$ 12,329,670</u>

Additional detail information is provided on Capital Assets in the Notes to Financial Statements, Note 1.d.

In accordance with GASB Statement No. 34, the City has reported all general infrastructure assets.

Long-term Debt

At year end, the City had \$1,974,607 in outstanding long-term debt for Governmental Activities. This debt is primarily due to a loan from the County of Riverside for the cost of services (\$1,922,674) the County provided to the City during the City's first year of incorporation and compensated absences (\$51,933). Long-term debt increased \$114,486 during the year due to interest expense for the County loan (\$73,919) and compensated absences (\$40,537). Additional detail information is provided on long-term debt activity in the Notes to the Financial Statements, Note 6. Table 4 below is a summary of the City's long-term debt for the year ended June 30, 2011

Table 4 Summary of Changes in Long-Term Liabilities

City of Wildomar					
Summary of Changes in Long-Term Liabilities					
For the Year Ended June 30, 2011					
	Beginning Balance	Additions	Deductions	Ending Balance	Within One Year
Loan from Riverside County	\$ 1,777,620	\$ -	\$ -	\$ 1,777,620	\$ -
Matured Unpaid Interest	71,105	73,949	-	145,054	-
Total County Loan	1,848,725	73,949	-	1,922,674	-
Compensated Absences	14,105	40,537	2,709	51,933	9,974
Total Long-Term Liabilities	\$ 1,862,830	\$ 114,486	\$ 2,709	\$ 1,974,607	\$ 9,974

ECONOMIC FACTORS AND OUTLOOK FOR FUTURE YEARS

Although the focus of this Comprehensive Annual Financial Report is the economic condition of the City in the Fiscal Year ended June 30, 2011, in preparing the budget for fiscal year 2011-12, management gave careful consideration to the possible impact to the State of California and the national economies will have on the City's budget. Substantial changes have occurred in the economy in which the City operates, and at this time the effect of these factors on the City's operations and its costs are difficult to predict. Unfortunately, there is no consensus, at any level, as to the depth and length of this current downturn, which presented a challenge to the preparation of the City's adopted budget. The overall approach in the development of the fiscal year 2011-12 budget was to achieve and maintain an appropriate balance of expenditure reductions to address the negative economic impacts on City revenues, while minimizing impacts on the delivery of services, programs and capital projects.

Key budget assumptions for forecasting General Fund revenues include the following:

- The City developed its adopted budget predicated upon the State's current adopted budget. However, recent State Ballot actions have left the State with a projected multi-billion dollar deficit for which the State has yet to cure. Currently, there are many proposals and speculation as to what actions the State might enact, some of which could involve the "taking/borrowing" of revenues again from local government. That speculation became reality on June 30, 2011 when the Governor signed Senate Bill 89, a trailer budget bill, which included the taking of Motor Vehicle License Fee revenues from local governments. The immediate impact upon the City of Wildomar was a general fund revenue loss of \$1,782,000 (22% of total revenue budget). The City Council took immediate action on July 7, 2011, setting a strategy consisting of several actions. The first action was to identify budget reductions which could temporarily meet the reduced funding level. The City Council provided direction on July 27, 2011 to reduce, through service cuts, the general fund operating budget by \$1,823,000. The second action was to seek means to reinstate the City's share of MVFL revenue. This action is currently in process.
- The degradation of the national and state economies; job/income loss and unemployment; reduction in median home prices and lowering of property values; loss of consumer confidence; and collapse of the housing, financial, retail, automotive, and commercial real estate sectors are all having adverse impacts on most of the City's revenue streams.
- Sales tax revenues are down 15% off of their peak numbers.
- Residential property values are known to be decreasing (2% reduction in Property Tax Revenues).
- Commercial/Industrial property values are also expected to start decreasing, though initially at a slower rate.
- Development related revenues are projected to continue downward due to the weakened housing and construction sectors as well as reduced personal income.
- The County's recent court case (September 2010) regarding the invalidation of the tax assessment for parks (LMD 2006-1). The County has "committed" the City to process refunds from the General Fund for the Special Tax Assessments the City collected on behalf of the District. Discussions are ongoing with the County regarding this commitment made by the County.

The Adopted Operating Budget for Fiscal Year 2011-12 is structurally balanced, addresses City Council's priorities, and effectively balances achievement of community needs and accomplishment of the Council's goals and objectives while maintaining

financial strength. The Adopted Budget for 2011-12 continues to support high-quality municipal services, maintenance and needed expansion of the City's infrastructure and facilities, and the investment and reinvestment of City resources in the community to bring about dividends for years to come.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Wildomar'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:

City of Wildomar
Attention: City Manager
23873 Clinton Keith Road, Suite 201,
Wildomar, California 92595

General information relating to the City of Wildomar, California, can be found at the City's website, www.cityofwildomar.org.

BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

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CITY OF WILDOMAR

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Primary Governmental Activities</u>
Assets:	
Cash and investments	\$ 4,596,301
Receivables:	
Accounts	1,511,971
Accrued interest	1,816
Prepaid costs	59,640
Deposits	275,866
Capital assets not being depreciated	1,067,911
Capital assets, net of depreciation	<u>11,261,759</u>
Total Assets	<u>18,775,264</u>
Liabilities:	
Accounts payable	1,809,196
Accrued liabilities	18,673
Deposits payable	444,554
Noncurrent liabilities:	
Net OPEB obligation	13,154
Due within one year	9,974
Due in more than one year	<u>1,964,633</u>
Total Liabilities	<u>4,260,184</u>
Net Assets:	
Invested in capital assets	12,329,670
Restricted for:	
Community development projects	780,098
Public works	1,943,203
Unrestricted	<u>(537,891)</u>
Total Net Assets	<u>\$ 14,515,080</u>

CITY OF WILDOMAR

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ 2,231,313	\$ 359,266	\$ 376,574	\$ -	\$ (1,495,473)
Public safety	5,413,023	590	100,228	-	(5,312,205)
Community development	1,069,198	205,518	721,696	-	(141,984)
Parks and recreation	297,168	19,040	-	-	(278,128)
Public works	2,371,664	186,760	1,719,851	226,422	(238,631)
Interest on long-term debt	73,949	-	-	-	(73,949)
Total Governmental Activities	11,456,315	771,174	2,918,349	226,422	(7,540,370)
Total Primary Government	\$ 11,456,315	\$ 771,174	\$ 2,918,349	\$ 226,422	(7,540,370)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					3,092,037
Sales taxes					1,226,227
Franchise taxes					725,775
Business licenses taxes					11,506
Other taxes					76,110
Motor vehicle in lieu - unrestricted					1,978,210
Use of money and property					7,737
Other					32,882
Total General Revenues					7,150,484
Change in Net Assets					(389,886)
Net Assets at Beginning of Year					14,904,966
Net Assets at End of Year					\$ 14,515,080

FUND FINANCIAL STATEMENTS

CITY OF WILDOMAR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Development Impact Fees</u>
Assets:				
Pooled cash and investments	\$ 2,230,300	\$ 788,521	\$ 638,359	\$ 780,105
Receivables:				
Accounts, grants and taxes	763,941	356,178	83,813	-
Accrued interest	1,816	-	-	-
Prepaid costs	59,640	-	-	-
Deposits	275,866	-	-	-
Due from other funds	127,981	-	-	-
Total Assets	<u>\$ 3,459,544</u>	<u>\$ 1,144,699</u>	<u>\$ 722,172</u>	<u>\$ 780,105</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,521,918	\$ 137,501	\$ 18,606	\$ 7
Accrued liabilities	18,673	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	444,554	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>1,985,145</u>	<u>137,501</u>	<u>18,606</u>	<u>7</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	59,640	-	-	-
Deposits	275,866	-	-	-
Restricted for:				
Community development projects	-	-	-	780,098
Public works	-	1,007,198	703,566	-
Unassigned	<u>1,138,893</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,474,399</u>	<u>1,007,198</u>	<u>703,566</u>	<u>780,098</u>
Total Liabilities and Fund Balances	<u>\$ 3,459,544</u>	<u>\$ 1,144,699</u>	<u>\$ 722,172</u>	<u>\$ 780,105</u>

CITY OF WILDOMAR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Pooled cash and investments	\$ 159,016	\$ 4,596,301
Receivables:		
Accounts, grants and taxes	308,039	1,511,971
Accrued interest	-	1,816
Prepaid costs	-	59,640
Deposits	-	275,866
Due from other funds	-	127,981
	<u> </u>	<u> </u>
Total Assets	<u>\$ 467,055</u>	<u>\$ 6,573,575</u>
 Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 131,164	\$ 1,809,196
Accrued liabilities	-	18,673
Deferred revenues	77,123	77,123
Deposits payable	-	444,554
Due to other funds	127,981	127,981
	<u> </u>	<u> </u>
Total Liabilities	<u>336,268</u>	<u>2,477,527</u>
 Fund Balances:		
Nonspendable:		
Prepaid costs	-	59,640
Deposits	-	275,866
Restricted for:		
Community development projects	-	780,098
Public works	232,439	1,943,203
Unassigned	<u>(101,652)</u>	<u>1,037,241</u>
	<u> </u>	<u> </u>
Total Fund Balances	<u>130,787</u>	<u>4,096,048</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 467,055</u>	<u>\$ 6,573,575</u>

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CITY OF WILDOMAR

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances of governmental funds	\$ 4,096,048
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	12,329,670
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Loan from County	(1,922,674)
Compensated absences	(51,933)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(13,154)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>77,123</u>
Net assets of governmental activities	<u><u>\$ 14,515,080</u></u>

CITY OF WILDOMAR

STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Development Impact Fees</u>
Revenues:				
Taxes	\$ 5,131,655	\$ -	\$ -	\$ -
Licenses and permits	29,171	-	-	-
Intergovernmental	2,128,162	1,261,867	420,539	-
Charges for services	116,552	-	-	-
Use of money and property	7,737	-	-	-
Fines and forfeitures	132,535	-	-	-
Developer participation	721,696	-	-	248,562
Miscellaneous	32,882	-	136	-
Total Revenues	8,300,390	1,261,867	420,675	248,562
Expenditures:				
Current:				
General government	1,598,151	-	-	278
Public safety	5,413,023	-	-	-
Community development	1,069,198	-	-	-
Parks and recreation	-	-	-	-
Public works	237,975	861,568	194,858	-
Total Expenditures	8,318,347	861,568	194,858	278
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,957)	400,299	225,817	248,284
Other Financing Sources (Uses):				
Transfers in	451,492	183,747	-	-
Transfers out	(3,550)	(231,993)	(34,624)	(85,875)
Total Other Financing Sources (Uses)	447,942	(48,246)	(34,624)	(85,875)
Net Change in Fund Balances	429,985	352,053	191,193	162,409
Fund Balances, Beginning of Year	1,044,414	655,145	512,373	617,689
Fund Balances, End of Year	\$ 1,474,399	\$ 1,007,198	\$ 703,566	\$ 780,098

CITY OF WILDOMAR

STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ -	\$ 5,131,655
Licenses and permits	-	29,171
Intergovernmental	550,919	4,361,487
Charges for services	-	116,552
Use of money and property	-	7,737
Fines and forfeitures	-	132,535
Developer participation	-	970,258
Miscellaneous	5,000	38,018
	<u>555,919</u>	<u>10,787,413</u>
Total Revenues		
Expenditures:		
Current:		
General government	578,556	2,176,985
Public safety	-	5,413,023
Community development	-	1,069,198
Parks and recreation	79,626	79,626
Public works	59,620	1,354,021
	<u>717,802</u>	<u>10,092,853</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(161,883)</u>	<u>694,560</u>
Other Financing Sources (Uses):		
Transfers in	6,527	641,766
Transfers out	<u>(285,724)</u>	<u>(641,766)</u>
Total Other Financing Sources (Uses)	<u>(279,197)</u>	<u>-</u>
Net Change in Fund Balances	<u>(441,080)</u>	<u>694,560</u>
Fund Balances, Beginning of Year	<u>571,867</u>	<u>3,401,488</u>
Fund Balances, End of Year	<u><u>\$ 130,787</u></u>	<u><u>\$ 4,096,048</u></u>

CITY OF WILDOMAR

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds	\$ 694,560
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital contributions	226,422
Depreciation	(1,238,531)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds.	
Matured unpaid interest on County loan which was added to principal	(73,949)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(37,828)
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense.	(13,154)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>52,594</u>
Change in net assets of governmental activities	<u><u>\$ (389,886)</u></u>

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,044,414	\$ 1,044,414	\$ 1,044,414	\$ -
Resources (Inflows):				
Taxes	5,218,000	4,705,300	5,131,655	426,355
Licenses and permits	115,000	26,700	29,171	2,471
Intergovernmental	2,315,000	1,935,000	2,128,162	193,162
Charges for services	99,500	114,500	116,552	2,052
Use of money and property	2,000	5,000	7,737	2,737
Fines and forfeitures	82,500	131,000	132,535	1,535
Contributions	252,000	-	-	-
Developer participation	733,000	740,000	721,696	(18,304)
Miscellaneous	115,000	245,100	32,882	(212,218)
Transfers in	156,700	359,900	451,492	91,592
Amounts Available for Appropriation	10,133,114	9,306,914	9,796,296	489,382
Charges to Appropriation (Outflow):				
General government				
City Council	147,050	136,000	127,167	8,833
City Manager	397,200	301,900	272,869	29,031
City Clerk	209,000	166,800	135,943	30,857
City Attorney	115,000	180,000	175,397	4,603
Finance	496,800	641,000	544,071	96,929
Non-departmental	256,910	284,100	282,090	2,010
Community services	133,000	62,000	60,614	1,386
Public safety				
Police	3,812,600	3,456,300	3,425,145	31,155
Fire	1,851,900	1,743,000	1,765,027	(22,027)
Animal control	262,300	202,300	206,895	(4,595)
Emergency preparedness	41,100	32,200	15,956	16,244
Community development				
Community development	44,200	2,300	5,145	(2,845)
Building and safety	303,000	231,500	223,334	8,166
Planning	232,000	227,100	226,509	591
Code enforcement	147,500	116,800	134,575	(17,775)
Development engineering	81,500	38,600	25,729	12,871
Deposit based projects	540,000	385,400	453,906	(68,506)
Public works				
Engineering / Public works	126,000	39,700	237,975	(198,275)
Transfers out	-	-	3,550	(3,550)
Total Charges to Appropriations	9,197,060	8,247,000	8,321,897	(74,897)
Budgetary Fund Balance, June 30	\$ 936,054	\$ 1,059,914	\$ 1,474,399	\$ 414,485

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
GAS TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 655,145	\$ 655,145	\$ 655,145	\$ -
Resources (Inflows):				
Intergovernmental	1,281,800	1,281,800	1,261,867	(19,933)
Transfers in	-	-	183,747	183,747
Amounts Available for Appropriation	1,936,945	1,936,945	2,100,759	163,814
Charges to Appropriation (Outflow):				
Public works	924,500	1,079,500	861,568	217,932
Transfers out	118,000	138,700	231,993	(93,293)
Total Charges to Appropriations	1,042,500	1,218,200	1,093,561	124,639
Budgetary Fund Balance, June 30	\$ 894,445	\$ 718,745	\$ 1,007,198	\$ 288,453

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
MEASURE A
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 512,373	\$ 512,373	\$ 512,373	\$ -
Resources (Inflows):				
Intergovernmental	349,000	349,000	420,539	71,539
Miscellaneous	-	-	136	136
Amounts Available for Appropriation	861,373	861,373	933,048	71,675
Charges to Appropriation (Outflow):				
Public works	321,100	321,100	194,858	126,242
Transfers out	27,900	48,100	34,624	13,476
Total Charges to Appropriations	349,000	369,200	229,482	139,718
Budgetary Fund Balance, June 30	\$ 512,373	\$ 492,173	\$ 703,566	\$ 211,393

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
DEVELOPMENT IMPACT FEES
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 617,689	\$ 617,689	\$ 617,689	\$ -
Resources (Inflows):				
Developer participation	102,502	102,502	248,562	146,060
Amounts Available for Appropriation	720,191	720,191	866,251	146,060
Charges to Appropriation (Outflow):				
General government	-	-	278	(278)
Transfers out	10,000	72,300	85,875	(13,575)
Total Charges to Appropriations	10,000	72,300	86,153	(13,853)
Budgetary Fund Balance, June 30	\$ 710,191	\$ 647,891	\$ 780,098	\$ 132,207

NOTES TO FINANCIAL STATEMENTS

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Wildomar, California (the City), was incorporated on July 1, 2008, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City is governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete. Under this definition, it is determined that there are no component units for this reporting entity, and these financial statements present the financial reporting entity that consisted solely of the City as the primary government.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The fiduciary funds are reported on the accrual basis of accounting. Major individual governmental funds are reported as separate columns in the fund financial statements. As of June 30, 2011, the City does not have any fiduciary funds.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The General fund is the City's primary operating fund. All general tax receipts and fee revenue not allocated by law, Council policy or contractual agreement to other funds are accounted for in the General Fund. General Fund expenditures include operations traditionally associated with activities, which are not required to be accounted for or paid by another fund.

The Gas Tax Fund includes operations for routine road maintenance and expansion projects. Receipts are tendered from the State of California after collections of fuel taxes are obtained.

The Measure A Fund includes transportation improvements funded by revenues generated under Measure A.

The Development Impact Fees Fund accounts for developer contributions and other revenue sources that are restricted by law or administrative action for development expenditure purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Investments are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Prepaid Costs and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. The City accounts for prepaid costs using the consumption method and is equally offset by a nonspendable fund balance in the fund-level statement, which indicates that it does not constitute "available spendable resources."

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported all general infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure are depreciated using the straight-line, half-year convention method over the following estimated useful lives:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Assets	Years
Building and improvements	10-30
Equipment and furniture	3-20
Vehicles	5-10
Infrastructure	10-50
Software	5-10

Compensated Absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. The maximum number of vacation days an employee can accrue is 40 days. A maximum of five vacation days per year may be converted to compensation.

Sick leave is payable when an employee is unable to work because of illness. Sick leave is convertible to vacation at the rate of ten (10) days of sick leave to one (1) day of vacation.

The liability for compensated absences will be paid in future years from the General Fund.

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution No. 2011-32 approved on June 21, 2011.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of Riverside collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

Functional Classifications

Expenditures of the governmental funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities, City Clerk, City Attorney, City Manager as well as management or supportive services across more than one functional area.
- Public Safety includes those activities which involve police protection, fire protection and animal control services.
- Community Development includes those activities which involve planning, building and safety and code enforcement.
- Parks and Recreation includes activities which provide recreation, cultural and educational services.
- Public Works includes all maintenance, engineering and capital improvements which relate to streets and other public facilities.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The City Council approves each year's budget prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. In most cases, expenditures may not exceed appropriations at the function level. At fiscal year-end, all operating budget appropriations lapse.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 2: Stewardship, Compliance and Accountability (Continued)

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

A budget was not adopted for the TDA Fund and Traffic Congestion Relief Fund for the current year.

b. Excess of Expenditures over Appropriations

The General Fund and Major Special Revenue Funds had excess expenditures over appropriations as follows:

<u>Department</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Public Safety			
Fire	\$ 1,765,027	\$ 1,743,000	\$ 22,027
Animal Control	206,895	202,300	4,595
Community Development			
Community development	5,145	2,300	2,845
Code enforcement	134,575	116,800	17,775
Deposit based projects	453,906	385,400	68,506
Public Works			
Engineering/public works	237,975	39,700	198,275
Major Special Revenue Fund:			
Development Impact Fees			
General government	278	-	278

c. The following funds contained deficit fund balances or net assets:

<u>Fund</u>	<u>Amount</u>
Special Revenue Fund:	
Grants	\$ 101,652

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental Activities	<u>\$ 4,596,301</u>
-------------------------	---------------------

The City maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy which authorizes it to invest in various investments.

Interest income earned on pooled cash and investments is allocated quarterly to the General Fund based on average daily cash balances.

Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$3,063,917 and the bank balance was \$3,140,874. The \$76,957 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash and Investments (Continued)

Investments

Under provision of the City's investment policy and in accordance with the California Government Code, the following investments are authorized:

- Securities of the U.S. Government
- Securities of U.S. Government Agencies
- City, State and Municipal Bonds
- Time Deposits and Certificates of Deposit
- Negotiable Certificates of Deposit
- Bankers Acceptance Notes
- Commercial Paper
- Repurchase Agreements
- Money Market Mutual Funds
- Local Agency Investment Fund (LAIF)
- Joint Powers Authority Investment Pools

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a 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 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. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Custodial Credit Risk

The 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 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 to a

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 3: Cash and Investments (Continued)

transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

As of June 30, 2011, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy diversifies its investments by security type, institution and maturity/call dates. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio can be invested in a single security type or with a single financial institution.

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. The City's investment policy limits investments in commercial paper to those rated "A" or higher from Standard and Poor's (S&P) and Moody's, respectively. At June 30, 2011, the City's investment in LAIF is unrated.

On Aug. 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on Aug. 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The City invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change.

Interest Rate Risk

The City's investment policy investment maturities to five years, unless matched to a specific cash flow. Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2011, the City had the following investments and remaining maturities:

	Investment Maturities (in Years)	Fair Value
	Less Than 1	
	<u> </u>	<u> </u>
California Local Agency Investment Fund	<u>\$ 1,532,384</u>	<u>\$ 1,532,384</u>

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 713,489	\$ -	\$ -	\$ 713,489
Right-of-way	128,000	226,422	-	354,422
Total Capital Assets, Not Being Depreciated	<u>841,489</u>	<u>226,422</u>	<u>-</u>	<u>1,067,911</u>
Capital assets, being depreciated:				
Buildings and improvements	6,526,256	-	-	6,526,256
Furniture, fixtures and equipment	11,765	-	-	11,765
Infrastructure	36,285,648	-	-	36,285,648
Total Capital Assets, Being Depreciated	<u>42,823,669</u>	<u>-</u>	<u>-</u>	<u>42,823,669</u>
Less accumulated depreciation:				
Buildings and improvements	652,626	217,542	-	870,168
Furniture, fixtures and equipment	3,530	3,346	-	6,876
Infrastructure	29,667,223	1,017,643	-	30,684,866
Total Accumulated Depreciation	<u>30,323,379</u>	<u>1,238,531</u>	<u>-</u>	<u>31,561,910</u>
Total Capital Assets, Being Depreciated, Net	<u>12,500,290</u>	<u>(1,238,531)</u>	<u>-</u>	<u>11,261,759</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,341,779</u>	<u>\$ (1,012,109)</u>	<u>\$ -</u>	<u>\$ 12,329,670</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 3,346
Parks and recreation	217,542
Public works	<u>1,017,643</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,238,531</u>

Note 5: Deposits Receivable

Deposits receivable are shown net of applicable allowances for doubtful accounts. The accounts receivable and respective allowances are as follows:

	Gross Receivable	Allowance For Doubtful Accounts	Net Receivable
Deposits Receivable	\$ 353,114	\$ (77,248)	\$ 275,866

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Liabilities

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2011:

	Beginning Balance	Additions	Deductions	Ending Balance	Within One Year
Loan from County	\$ 1,777,620	\$ -	\$ -	\$ 1,777,620	\$ -
Matured unpaid interest	71,105	73,949	-	145,054	-
Total County loan	1,848,725	73,949	-	1,922,674	-
Compensated absences	14,105	40,537	2,709	51,933	9,974
Total Long-Term Liabilities	<u>\$ 1,862,830</u>	<u>\$ 114,486</u>	<u>\$ 2,709</u>	<u>\$ 1,974,607</u>	<u>\$ 9,974</u>

Loan from County

As part of the Comprehensive Fiscal Analysis prepared as part of the formation documents for the City, the County of Riverside (County) and other servicing agencies were to provide municipal level services during the transition year (July 1, 2010 through June 30, 2011). The County was to receive certain revenues on behalf of the City and apply them to the payment that would otherwise be necessary for providing those services. However, the County is allowed under law to require the City to pay back the overall net cost of providing these services. The amount is to be repaid by June 30, 2013, with interest of 4%; however there is no set repayment schedule. The outstanding balance at June 30, 2011, including matured unpaid interest of \$145,054, is \$1,922,674.

Note 7: Interfund Receivable, Payable and Transfers

a. Due To / From Other Funds

Funds	Due To Other Funds Other Governmental Funds
Due From Other Funds:	
General Fund	<u>\$ 127,981</u>

These were the result of routine interfund transactions due to eliminating temporary deficit cash balances.

b. Interfund Transfers

	Transfer Out:				Total
	General Fund	Gas Tax	Development Impact Fees	Other Governmental Funds	
Transfers In:					
General Fund	\$ -	\$ 231,993	\$ 85,875	\$ 133,624	\$ 451,492
Gas Tax	-	-	-	183,747	183,747
Other Governmental Funds	3,550	-	-	2,977	6,527
Total	<u>\$ 3,550</u>	<u>\$ 231,993</u>	<u>\$ 85,875</u>	<u>\$ 320,348</u>	<u>\$ 641,766</u>

During the year, interfund transfers were made to the General Fund for the purposes of financing administrative costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: Pension Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. 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 located at 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.694% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2010-2011, the City's annual pension cost of \$81,931 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the October 31, 2009, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 4,245	100%	\$ -
6/30/10	68,028	100%	-
6/30/11	81,931	100%	-

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

The City participates in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 9: Post Employment Benefits

Plan Description

The City provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing on behalf of all eligible retirees' \$105/month for calendar 2010 and \$108/month for calendar 2011, increased in all future years according to the rate of medical inflation. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council and/or the employee association. Currently, contributions are not required from plan members. There was no contribution made during the 2010-2011 fiscal year to cover current plan premiums.

As a result, the City calculated and recorded a net OPEB obligation, representing the difference between the annual required contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC)	\$ 13,154
Interest on net OPEB obligation (asset)	-
Adjustment to ARC	-
	<hr/>
Annual OPEB Cost	13,154
Contributions made	-
	<hr/>
(Decrease) increase in Net OPEB obligation	13,154
Net OPEB obligation (asset) June 30, 2010	-
	<hr/>
Net OPEB obligation (asset) June 30, 2011	<u>\$ 13,154</u>

For the fiscal year 2010-2011, the City's annual OPEB cost (expense) was \$13,154. The Net OPEB obligation for the current fiscal years is presented below:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 13,154	\$ -	0%	\$ 13,154

*This is the first year of OPEB, therefore only one year is presented

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 9: Post Employment Benefits (Continued)

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan. An actuarial is received every two years.

Schedule of Funding Progress for OPEB

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as percent of Covered Payroll	Interest Rate	Salary Scale
Actual	6/30/2011	\$ -	\$ 11,693	0.0%	\$ 447,394	3%	5.00%	3.00%

Actuarial Methods and Assumptions

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

In the June 30, 2011, actuarial valuation, the actuarial cost method was used. The actuarial assumptions include a 5.0% investment rate of return. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2011, was thirty years. The number of active participants is 8 and there are no retirees receiving benefits.

Note 10: Risk Management

The City is self-insured for the first \$5,000 on each general liability claim. The City has no self-insured retention for workers' compensation liability claims. The insurance coverage in excess of the self-insured amount is provided by the Public Agency Risk Sharing Authority of California (PARSAC) up to a limit of \$1,000,000 for general liability and \$500,000 for workers' compensation. Losses that exceed \$1,000,000 for general liability and \$500,000 for workers' compensation are covered via the CSAC Excess Insurance Authority up \$28,000,000 and \$45,000,000, respectively.

Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City funds all claims payable, including those incurred but not reported, in the yearly deposit it pays to PARSAC, except for its self-insured retention.

Effective July 1, 2008, the City became a member of the PARSAC, a public entity risk pool currently operating as a common risk management and insurance program for 37 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the PARSAC provides that the pool will be self-sustaining through member premiums.

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 10: Risk Management (Continued)

The PARSAC will publish its own financial report for the year ended June 30, 2011, which can be obtained from Public Agency Risk Sharing Authority of California, Sacramento, California.

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

As of June 30, 2011, the City did not have any significant claims liability; therefore, no accrual was required.

Note 11: Contingencies

As part of the Comprehensive Fiscal Analysis prepared as part of the formation documents for the City, the County of Riverside (County) approved a revenue augment to be paid to the City annually. The payments were developed utilizing the net county savings calculated under the revenue neutrality calculation for the base year FY 05/06, with a 3% annual inflation rate applied. The County also stipulates that if revenues for sales tax exceed those projected for a given fiscal year in the ten year fiscal model in the Comprehensive Fiscal Analysis, then the county augment would be reduced by the same amount of the excess for that fiscal year.

Augment payments were estimated in the Comprehensive Fiscal Analysis as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011-2012	\$ 259,609
2012-2013	267,397
2013-2014	275,419
2014-2015	283,682
2015-2016	292,192
2016-2017	300,958
2017-2018	309,987
Total	<u>\$ 1,989,244</u>

In June 2010, the Fourth District Court of Appeal ruled that cash may not be transferred to the City by the County in the form of an augmentation payment. The County agreed to provide law enforcement services up to the amount of the augmentation payment for each fiscal year. On October 13, 2010, the City passed a resolution requesting the County provide law enforcement services up to the dollar value of the augmentation payment.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF WILDOMAR

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds				
	Air Quality Management District	Traffic Congestion Relief	Grants	SLESF	TDA
Assets:					
Pooled cash and investments	\$ 98,593	\$ -	\$ -	\$ -	\$ -
Receivables:					
Accounts, grants and taxes	7,597	-	79,456	25,228	186,760
Total Assets	\$ 106,190	\$ -	\$ 79,456	\$ 25,228	\$ 186,760
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 80,858	\$ -	\$ -
Deferred revenues	-	-	77,123	-	-
Due to other funds	-	-	23,127	25,228	79,626
Total Liabilities	-	-	181,108	25,228	79,626
Fund Balances:					
Restricted for:					
Public works	106,190	-	-	-	107,134
Unassigned	-	-	(101,652)	-	-
Total Fund Balances	106,190	-	(101,652)	-	107,134
Total Liabilities and Fund Balances	\$ 106,190	\$ -	\$ 79,456	\$ 25,228	\$ 186,760

CITY OF WILDOMAR

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>County Service Area</u>	
Assets:		
Pooled cash and investments	\$ 60,423	\$ 159,016
Receivables:		
Accounts, grants and taxes	8,998	308,039
Total Assets	<u>\$ 69,421</u>	<u>\$ 467,055</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 50,306	\$ 131,164
Deferred revenues	-	77,123
Due to other funds	-	127,981
Total Liabilities	<u>50,306</u>	<u>336,268</u>
Fund Balances:		
Restricted for:		
Public works	19,115	232,439
Unassigned	<u>-</u>	<u>(101,652)</u>
Total Fund Balances	<u>19,115</u>	<u>130,787</u>
Total Liabilities and Fund Balance	<u>\$ 69,421</u>	<u>\$ 467,055</u>

CITY OF WILDOMAR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				
	Air Quality Management District	Traffic Congestion Relief	Grants	SLESF	TDA
Revenues:					
Intergovernmental	\$ 34,976	\$ -	\$ 2,333	\$ 100,228	\$ 186,760
Miscellaneous	-	-	-	-	-
Total Revenues	34,976	-	2,333	100,228	186,760
Expenditures:					
Current:					
General government	-	-	23,386	-	-
Parks and recreation	-	-	-	-	79,626
Public works	-	-	59,620	-	-
Total Expenditures	-	-	83,006	-	79,626
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,976	-	(80,673)	100,228	107,134
Other Financing Sources (Uses):					
Transfers in	2,977	-	3,550	-	-
Transfers out	(1,749)	(183,747)	-	(100,228)	-
Total Other Financing Sources (Uses)	1,228	(183,747)	3,550	(100,228)	-
Net Change in Fund Balances	36,204	(183,747)	(77,123)	-	107,134
Fund Balances, Beginning of Year	69,986	183,747	(24,529)	-	-
Fund Balances, End of Year	\$ 106,190	\$ -	\$ (101,652)	\$ -	\$ 107,134

CITY OF WILDOMAR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>County Service Area</u>	
Revenues:		
Intergovernmental	\$ 226,622	\$ 550,919
Miscellaneous	5,000	5,000
Total Revenues	<u>231,622</u>	<u>555,919</u>
Expenditures:		
Current:		
General government	555,170	578,556
Parks and recreation	-	79,626
Public works	-	59,620
Total Expenditures	<u>555,170</u>	<u>717,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(323,548)</u>	<u>(161,883)</u>
Other Financing Sources (Uses):		
Transfers in	-	6,527
Transfers out	-	(285,724)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(279,197)</u>
Net Change in Fund Balances	<u>(323,548)</u>	<u>(441,080)</u>
Fund Balances, Beginning of Year	<u>342,663</u>	<u>571,867</u>
Fund Balances, End of Year	<u>\$ 19,115</u>	<u>\$ 130,787</u>

CITY OF WILDOMAR

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT DISTRICT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 69,986	\$ 69,986	\$ 69,986	\$ -
Resources (Inflows):				
Intergovernmental	17,000	17,000	34,976	17,976
Use of money and property	100	100	-	(100)
Transfers in	-	-	2,977	2,977
Amounts Available for Appropriation	87,086	87,086	107,939	20,853
Charges to Appropriation (Outflow):				
Public works	22,800	22,800	-	22,800
Transfers out	800	800	1,749	(949)
Total Charges to Appropriations	23,600	23,600	1,749	21,851
Budgetary Fund Balance, June 30	\$ 63,486	\$ 63,486	\$ 106,190	\$ 42,704

CITY OF WILDOMAR

**BUDGETARY COMPARISON SCHEDULE
GRANTS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (24,529)	\$ (24,529)	\$ (24,529)	\$ -
Resources (Inflows):				
Intergovernmental	589,900	589,900	2,333	(587,567)
Transfers in	-	-	3,550	3,550
Amounts Available for Appropriation	565,371	565,371	(18,646)	(584,017)
Charges to Appropriation (Outflow):				
General government	-	2,700	23,386	(20,686)
Public works	589,900	669,900	59,620	610,280
Total Charges to Appropriations	589,900	672,600	83,006	589,594
Budgetary Fund Balance, June 30	\$ (24,529)	\$ (107,229)	\$ (101,652)	\$ 5,577

CITY OF WILDOMAR

BUDGETARY COMPARISON SCHEDULE
 SLESF
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	-	100,228	100,228
Amounts Available for Appropriation	-	-	100,228	100,228
Charges to Appropriation (Outflow):				
Transfers out	-	100,000	100,228	(228)
Total Charges to Appropriations	-	100,000	100,228	(228)
Budgetary Fund Balance, June 30	\$ -	\$ (100,000)	\$ -	\$ 100,000

CITY OF WILDOMAR

BUDGETARY COMPARISON SCHEDULE
 COUNTY SERVICE AREA
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 342,663	\$ 342,663	\$ 342,663	\$ -
Resources (Inflows):				
Intergovernmental	682,300	579,300	226,622	(352,678)
Miscellaneous	-	-	5,000	5,000
Amounts Available for Appropriation	1,024,963	921,963	574,285	(347,678)
Charges to Appropriation (Outflow):				
General government	738,500	792,400	555,170	237,230
Total Charges to Appropriations	738,500	792,400	555,170	237,230
Budgetary Fund Balance, June 30	\$ 286,463	\$ 129,563	\$ 19,115	\$ (110,448)

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Statistical Section

This section of the City of Wildomar'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 says about the city's overall financial health.

Contents

Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time. As a newly incorporated City, information relative to the exact city boundaries prior to incorporation is not readily available in most cases. Therefore trend information will be developed over time and reported annually.

- Net Assets by Component
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity - These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

Debt Capacity - 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.

- Ratio of Outstanding Debt by type
- Direct and Overlapping Governmental Activities
- Legal Debt Margin

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help comparisons over time and with other governments

- Demographic and Economic Statistics
- Principal Employers
- Full-time Equivalent City Government Employees by Function/Program

Operating Information - These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information related to the services the City provides and the activities it

- Operating Indicators by Function/ Program
- Capital Asset Statistics by Function/Program
- Miscellaneous Statistics

Sources: Unless otherwise noted, the information in these schedules is derived from various internal and other governmental and non-governmental sources where reliability of the data could be ascertained.

CITY OF WILDOMAR

Net Assets by Component

(Accrual Basis of Accounting)

	Fiscal Year		
	2011	2010	2009
Governmental Activites			
Invested in Capital Assets, Net of Related Debt	\$ 12,329,670	\$ 13,341,779	\$ 14,841,391
Restricted for:			
Community Development Projects	780,098	617,689	76,322
Public Works	1,943,203	1,763,914	1,284,148
Unrestricted	(537,891)	(818,416)	(494,416)
Total Governmental Activites Net Assets	\$ 14,515,080	\$ 14,904,966	\$ 15,707,445
 Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 12,329,670	\$ 13,341,779	\$ 14,841,391
Restricted for:			
Community Development Projects	780,098	617,689	76,322
Public Works	1,943,203	1,763,914	1,284,148
Unrestricted	(537,891)	(818,416)	(494,416)
Total Primary Government Activites Net Assets	\$ 14,515,080	\$ 14,904,966	\$ 15,707,445

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2008-2009 is available.

Source: City Finance Department

CITY OF WILDOMAR
Changes in Net Assets
(Accrual Basis of Accounting)

	Fiscal Year		
	2011	2010	2009
EXPENSES			
Governmental Activities:			
General Government	\$ 2,231,313	\$ 1,798,566	\$ 2,156,911
Public Safety	5,413,023	5,378,962	5,547,480
Community Development	1,069,198	1,786,894	1,501,865
Parks and Recreation	297,168	341,458	463,746
Public Works	2,371,664	2,741,040	29,440,843
Interest on long-term debt	73,949	71,105	-
Total Governmental Activities Expenses	<u>11,456,315</u>	<u>12,118,025</u>	<u>39,110,845</u>
PROGRAM REVENUES			
Governmental Activities:			
Charges for Services:			
General Government	359,266	71,195	1,633
Public Safety	590	-	26,893
Community Development	205,518	786,747	307,833
Parks and Recreation	19,040	7,387	-
Public Works	186,760	-	-
Total Charges for Services	<u>771,174</u>	<u>865,329</u>	<u>336,359</u>
Operating Contributions and Grants:			
General Government	376,574	269,235	237,579
Public Safety	100,228	100,773	-
Community Development	721,696	871,513	884,216
Public Works	1,719,851	2,231,390	1,572,871
Total Operating Contributions and Grants	<u>2,918,349</u>	<u>3,472,911</u>	<u>2,694,666</u>
Capital Contributions and Grants:			
Public Works	-	-	43,653,393
Interest on long-term debt	226,422	-	-
Total Capital Contributions and Grants	<u>226,422</u>	<u>-</u>	<u>43,653,393</u>
Total Governmental Activities Program Revenue	<u>3,915,945</u>	<u>4,338,240</u>	<u>46,684,418</u>
TOTAL NET REVENUES (EXPENSES)	<u>\$ (7,540,370)</u>	<u>\$ (7,779,785)</u>	<u>\$ 7,573,573</u>

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2008-2009 is available.

Source: City Finance Department

CITY OF WILDOMAR
Changes in Net Assets
(Accrual Basis of Accounting)

	Fiscal Year		
	2011	2010	2009
GENERAL REVENUES AND OTHER			
CHANGES IN NET ASSETS			
Governmental Activities:			
Taxes:			
Property Taxes, levied for general purpose	\$ 3,092,037	\$ 2,743,768	\$ 3,589,773
Sales Taxes	1,226,227	1,096,907	1,295,785
Franchise Taxes	725,775	591,706	520,290
Business Licenses Taxes	11,506	12,525	6,390
Other Taxes	76,110	99,456	130,518
Motor Vehicle in Lieu	1,978,210	2,226,922	2,555,318
Use of Money and Property	7,737	9,682	20,403
Other	32,882	26,788	15,395
Total Governmental Activities	<u>7,150,484</u>	<u>6,807,754</u>	<u>8,133,872</u>
 CHANGES IN NET ASSETS	 <u>\$ (389,886)</u>	 <u>\$ (972,031)</u>	 <u>\$ 15,707,445</u>

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2008-2009 is available.

Source: City Finance Department

CITY OF WILDOMAR
Fund Balances of Governmental Funds
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2011	2010	2009
GENERAL FUND			
Reserved	\$ -	\$ -	\$ -
Unreserved	-	1,044,414	1,276,268
Nonspendable:			
Prepaid Costs	59,640	-	-
Deposits	275,866	-	-
Unassigned:	1,138,893	-	-
Total General Fund	\$ 1,474,399	\$ 1,044,414	\$ 1,276,268
ALL OTHER GOVERNMENTAL FUNDS			
Reserved:			
Encumbrances	\$ -	\$ -	\$ -
Debt Service	-	-	-
Self Insurance	-	-	-
Unreserved:			
Unreserved, Reported in Nonmajor,			
Special Revenue Funds	-	741,577	375,878
Capital Projects Funds	-	342,663	(7,128)
Undesignated	-	1,272,834	984,592
Nonspendable:			
Prepaid Costs	-	-	-
Deposits	-	-	-
Restricted for:			
Community development projects	780,098	-	-
Public works	1,943,203	-	-
Unassigned:	(101,652)	-	-
Total All Other Governmental Funds	\$ 2,621,649	\$ 2,357,074	\$ 1,353,342

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2008-2009 is available.

Souce: City Finance Department

CITY OF WILDOMAR
Changes in Fund Balances of Governmental Funds
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2011	2010	2009
REVENUES			
Taxes	\$ 5,131,655	\$ 4,544,362	\$ 5,542,756
Licenses and Permits	29,171	71,195	28,526
Intergovernmental	4,361,487	4,559,085	4,128,189
Charges for Services	116,552	132,672	82,583
Use of Money and Property	7,737	9,682	20,403
Fines and Forfeitures	132,535	111,619	149,272
Contributions	-	244,706	237,579
Developer Participation	970,258	1,437,078	944,472
Miscellaneous	38,018	84,030	15,395
Total Revenues	10,787,413	11,194,429	11,149,175
EXPENDITURES			
Current:			
General Government	2,176,985	1,783,766	2,154,076
Public Safety	5,413,023	5,378,962	5,547,480
Community Development	1,069,198	1,786,894	1,501,865
Parks and Recreation	79,626	123,916	28,662
Public Works	1,354,021	1,461,323	1,053,337
Capital Outlay	-	-	11,765
Debt Service			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	10,092,853	10,534,861	10,297,185
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	694,560	659,568	851,990
OTHER FINANCING SOURCES (USES)			
Transfers In	458,019	249,573	-
Transfers Out	(458,019)	(249,573)	-
Other Debts Issued	-	-	1,777,620
Total Other Financing Sources (Uses)	-	-	1,777,620
Net Change in Fund Balances/ Net Assets	694,560	659,568	2,629,610
Fund Balances, Beginning of Year	3,401,488	2,629,610	-
Restatements	-	112,310	-
Fund Balances, Beginning of Year, as restated	3,401,488	2,741,920	-
Fund Balances, End of Year	<u>\$ 4,096,048</u>	<u>\$ 3,401,488</u>	<u>\$ 2,629,610</u>
DEBT SERVICE AS A PERCENTAGE OF			
NON CAPITAL EXPENDITURES	0.00%	0.00%	0.00%

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2008-2009 is available.

Source: City Finance Department

CITY OF WILDOMAR**Assessed Value and Estimated Actual Value of Taxable Property**

Fiscal year	Residential Property	Commercial Property	Other Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Rate
2009	\$ -	\$ -	\$ -	\$ -	\$ -	-
2010	\$ 1,860,505,078	\$ 321,084,647	\$ 257,455,490	\$ (4,968,321)	\$ 2,434,076,894	0.06575
2011	\$ 1,768,880,175	\$ 187,418,307	\$ 361,130,486	\$ (5,106,890)	\$ 2,312,322,078	0.06522

In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% 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 re-assessed 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.

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: The HdL Companies

CITY OF WILDOMAR
Direct and Overlapping Property Tax Rates
(Rate per \$100 of Taxable Value)

Agency	Fiscal Year		
	2011	2010	2009
Basic Levy*	1.00000	1.00000	-
Menifee School	0.03436	0.03254	-
Metropolitan Water Dist Orginal Area	0.00370	0.00430	-
Perris Union High School	0.03126	0.02686	-
Total Direct & Overlapping Tax Rates	1.06932	1.06370	-
City's Share of 1% Levy Per Prop 13	0.05800	0.05800	
Total Direct Rate	0.06522	0.06575	-

* In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% fixed amount. This 1.00% is shared bt all taxing agencies in which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

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

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: The HdL Companies

CITY OF WILDOMAR
Principal Property Tax Payers

Taxpayer	2011			2010			2009		
	Total Assessed Value	Rank	Percentage	Total Assessed Value	Rank	Percentage	Total Assessed Value	Rank	Percentage
			of Total City Taxable Assessed Value			of Total City Taxable Assessed Value			of Total City Taxable Assessed Value
WNRA Wildomar	\$ 46,638,000	2	2.01%	\$ 46,638,000	1	1.91%	\$ -	1	0.00%
Universal Health Realty Income Trust	54,009,680	1	2.33%	34,228,288	2	1.40%	-	2	0.00%
LG Oak Creek	31,220,853	3	1.35%	31,295,023	3	1.28%	-	3	0.00%
Wildomar Industrial Park	19,545,372	4	0.84%	19,591,813	4	0.80%	-	4	0.00%
First Citizens Bank and Trust				16,957,999	5	0.70%	-	5	0.00%
Naples Plaza Limited	16,394,939	5	0.71%	16,433,894	6	0.67%	-	6	0.00%
Oak Springs Ranch				15,549,900	7	0.64%	-	7	0.00%
MCW RC California Bear Creek Village	13,679,727	6	0.60%	13,712,235	8	0.56%	-	8	0.00%
Inland Valley Medical Partners	13,551,265	7	0.58%	13,583,460	9	0.56%	-	9	0.00%
Stonebridge Medical Center	12,384,440	8	0.53%	12,413,863	10	0.51%	-	10	0.00%
VSHS	11,485,117	9	0.50%						
Beazer Homes Holdings Corporation	11,207,208	10	0.48%						
Totals	\$230,116,601		9.93%	\$ 220,404,475		9.03%	\$ -		0.00%

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: The HdL Companies

CITY OF WILDOMAR

Property Tax Levies and Collections

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Total Tax Collections
		Amount	Percentage of Levy	
2009		\$ 3,589,773	0.0%	\$ 3,589,773
2010	\$ 3,015,396	\$ 2,743,768	91.0%	\$ 2,743,768
2011	\$ 2,846,306	\$ 3,092,037	108.6%	\$ 3,092,037

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

The City was not on the tax rolls until fiscal year 2009-2010, therefore there is no total tax levy. However, the City still received its portion of property tax collections from Riverside County.

Source: County of Riverside

CITY OF WILDOMAR

Ratios of Outstanding Debt by Type

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	County Repayment ⁽¹⁾	Total Governmental Activities	% of Actual Assessed Value of Property ⁽²⁾	Per Capita
2009	\$ -	\$ -	\$ -	\$ 1,777,620	\$ 1,777,620	0.00%	\$ -
2010	\$ -	\$ -	\$ -	\$ 1,848,725	\$ 1,848,725	0.08%	\$ 58.93
2011	\$ -	\$ -	\$ -	\$ 1,922,674	\$ 1,922,674	0.08%	\$ 60.26

⁽¹⁾ County Repayment is not a bonded debt

⁽²⁾ Assessed value used because actual value of taxable property not readily available in the state of California.

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2008-2009 is available.

Source: City Finance Department

CITY OF WILDOMAR
Legal Debt Margin Information
(dollars in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assessed Valuation	\$ 2,312,322,078	\$ 2,434,076,894	\$ -
Debt Limit Percentage	15%	15%	15%
Debt Limit	\$ 346,848,312	\$ 365,111,534	-
Total Net Debt Applicable to Limit General Obligation Bonds:		-	-
Legal Debt Margin	<u>\$ 346,848,312</u>	<u>\$ 365,111,534</u>	<u>\$ -</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%

Section 43605 of The Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

The City of Wildomar has no general obligation bond indebtedness.

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: City Finance Department, The HdL Companies

CITY OF WILDOMAR
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

2010-2011 Assessed Valuation	\$2,313,386,930
Incremental Valuation	<u>100,784,825</u>
Adjusted Assessed Valuation	<u>\$2,212,602,105</u>

<u>Overlapping Tax and Assessment Debt</u>	<u>Total Debt</u>	<u>Percent Applicable to City (1)</u>	<u>City's Share of Debt</u>
Metropolitan Water District	\$ 227,670,000	0.124%	\$ 282,311
Perris Union High School District	54,717,260	0.315%	172,359
Menifee Union School District	45,108,922	0.510%	230,056
Lake Elsinore Unified School District Community Facilities District No. 2005-7	3,805,000	100%	3,805,000
Lake Elsinore Unified School District Community Facilities District No. 2006-4	3,635	100%	3,635
Elsinore Valley Municipal Water District Community Facilities District No. 2004-1	2,130,000	100%	2,130,000
Total Overlapping Tax and Assessment Debt			<u>\$ 6,623,361</u>

Ratios to 2010-11 Assessed Valuation..... 0.44%

Overlapping General Fund Debt

Riverside County General Funds Obligation	\$ 696,634,853	1.513%	\$10,540,085
Riverside County Pension Obligations	366,945	1.513%	5,551,878
Riverside County Board of Education Certificates of Participation	6,170,000	1.513%	93,352
Mount San Jacinto Community College District General Funds Obligations	12,215,000	4.008%	489,577
Lake Elsinore Unified School District Certificates of Participation	38,300,000	31.577%	12,093,991
Perris Union High School District General Fund Obligation	31,575,000	0.315%	99,461
Menifee Union School District Certificates of Participation	6,280,000	0.510%	32,028
Ortega Trail Recreation and Park District Certificates of Participation	145,000	18.293%	26,525
Total Gross Overlapping General Fund Debt			<u>\$28,926,897</u>
Less: Riverside County Supported Obligations			<u>208,842</u>
Total Net Overlapping General Fund Debt			<u>\$28,718,055</u>

Direct Debt

City Of Wildomar	\$0	100%	\$0
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Total Overlapping Debt	\$0
Total Gross Overlapping Debt	\$35,550,258
Total Net Overlapping Debt	\$35,341,416
Gross Combined Total Debt	\$35,550,258 (2)
Net Combined Total Debt	\$35,341,416

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Adjusted Assessed Valuation

Direct Debt	0.00%
Gross Combined Total Debt	1.77%
Net Combined Total Debt	1.76%

State School Building Aid Repayable as of 6/30/10 \$0

Source: California Municipal Statistics

CITY OF WILDOMAR
Demographic and Economic Statistics

Calendar Year	Population	Personal Income (thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2009	-	-	-	-	-	-	-
2010	31,374	\$ 673,738	\$ 21,474	12%	37.9	79.7%	13.3%
2011	31,907	\$ 700,199	\$ 21,945	13%	32.2	83.8%	16.9%

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: The HdL Companies, California Employment Development Department

CITY OF WILDOMAR
Principal Employers

Employer	2010 ⁽¹⁾			2009			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Inland Valley Medical Center		N/A		600	1	17.91%	600	1	17.36%
Lake Elsinore Unified School District		N/A		430	2	12.84%	430	2	12.44%
FCP INC		N/A		150	3	4.48%	150	3	4.34%
Stater Bros Markets		N/A		100	4	2.99%	100	4	2.89%
P K Mechanical Systems		N/A		85	5	2.54%	85	5	2.46%
Albertson's		N/A		80	6	2.39%	80	6	2.31%
Jack in the Box		N/A		60	7	1.79%	60	7	1.74%
Coldwell Banker		N/A		55	8	1.64%	56	8	1.62%
Mc Donald's		N/A		50	9	1.49%	50	9	1.45%
Cornerstone Community Church & School		N/A		45	10	1.34%	45	10	1.30%
Southern California Edison		N/A							
Total of Top Employers	N/A		N/A	1655		49.41%	1656		47.91%

(1) Principal Employers Report is unavailable for fiscal year 2010-2011 due to unreliable data.

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: The HdL Companies

CITY OF WILDOMAR
Full-Time Equivalent City Government Employees by Function/Program
As of June 30, 2010

Function	2011	2010	2009
City Manager			
Full- Time Equiv	1	1	0
City Clerk			
Full- Time Equiv	1	1	0
Administrative Services			
Full- Time Equiv	1	1	0
Community Development			
Full- Time Equiv	0	0	0
Engineering/ Pub. Works			
Full- Time Equiv	0	0	0
Building/Safety			
Full- Time Equiv	0	0	0
Community Services			
Full- Time Equiv	0	0	0
TOTAL	<u>3</u>	<u>3</u>	<u>0</u>

All City employees with the exception of City Manager, City Clerk and Administrative Services were contract during fiscal year 2009-2010. There were no city employees in fiscal year 2008-2009.

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: City Finance Department

CITY OF WILDOMAR
Operating Indicators by Function/ Program

Function	2011	2010	2009
Police Services			
Calls for Service	14797	8740	8684
DUI Arrests	80	53	78
Traffic Citations	1052	233	1267
Public Works			
Street Resurfacing	0	0	N/A
Right of Way Clearing (Square Feet)	30,119	21,600	N/A
Traffic Signs Installed	41	78	N/A
Drain Inlets Cleaned	278	300	N/A
Building & Safety			
Building Permits Issued	132	151	232
Building Inspections Completed	2,626	4,032	N/A
Community Development			
Planning Applications Completed	24	50	39
Community Services			
Community Events Attendance	3,000	13,000	6,630

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: City Finance Department, City Community Development Department, City Building Department, City Police Services Department, City Public Works Department.

CITY OF WILDOMAR
Capital Asset Statistics by Function/Program

Function	2011	2010	2009
Public Works			
Streets (miles)			
Paved - Public	121.1	112	N/A
Paved - Private	9.1		
Unpaved - Public	6.4	6	N/A
Unpaved - Private	47.1		
Traffic Signals	23.3	19	N/A
Community Services			
Parks	3	3	3
Park Acreage	13.88	13.88	13.88

The City was incorporated in fiscal year 2008-2009. No Information prior to fiscal Year 2009-2010 is available.

Source: City Public Works Department, Community Services Department

CITY OF WILDOMAR
Miscellaneous Statistics
As of June 30, 2010

Geographic Location	Wildomar is located along Interstate 15 in Riverside County.
Population	31,907
Area in Square Miles	24
Form of Government	Council-Manager
Date of Incorporation	July, 1 2008
Number of Full Time Employees	3
Public Safety:	
Police Department	Under contract with the Riverside County Sheriff's Department
Fire Department	Under contract with the Riverside County Fire Department (Cal-Fire)
Library	1 branch, Riverside County Library System
Recreation:	3 Parks owned by the City
Schools:	
Elementary	4
Middle Schools	1
High Schools	1

Source: City Finance Department

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