

CITY OF WILDOMAR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED
JUNE 30, 2012

CITY OF WILDOMAR, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared By:
The City of Wildomar, California
Finance Department

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF WILDOMAR
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
City Organizational Chart	viii
Directory of City Officials	ix
Certificate of Achievement for Excellence in Financial Reporting	x
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government - Wide Financial Statements	
Statement of Net Assets	21
Statement of Activities.....	22
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	29
Budgetary Comparison Statement by Department– General Fund	30
Budgetary Comparison Statement – Gas Tax	31
Budgetary Comparison Statement – Measure A	32
Budgetary Comparison Statement – Grants.....	33
Budgetary Comparison Statement – Wildomar Cemetery District.....	34
Notes to Financial Statements.....	37

CITY OF WILDOMAR
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	58
Budgetary Comparison Schedules – Special Revenue Funds	
Air Quality Management District	60
Development Impact Fees	61
SLESF	62
Budgetary Comparison Schedules – Capital Projects Fund	
County Service Area	63
STATISTICAL SECTION	
Net Assets by Component – Last Four Fiscal Years	66
Changes in Net Assets – Last Four Fiscal Years	67
Fund Balances of Governmental Funds – Last Four Fiscal Years	69
Changes in Fund Balances of Governmental Funds – Last Four Fiscal Years.....	70
Assessed Value and Estimated Actual Value of Taxable Property – Last Four Fiscal Years.....	71
Direct and Overlapping Property Tax Rates – Last Four Fiscal Years.....	72
Principal Property Taxpayers – Last Four Fiscal Years.....	73
Property Tax Levies and Collections – Last Four Fiscal Years	74
Ratios of Outstanding Debt by Type – Last Four Fiscal Years.....	75
Direct and Overlapping Governmental Activities Debt as of June 30, 2012.....	76
Legal Debt Margin Information – Last Four Fiscal Years	77
Demographic and Economic Statistics – Last Four Calendar Years Unemployment Rate.....	78
Principal Employers Last Four Fiscal Years	79

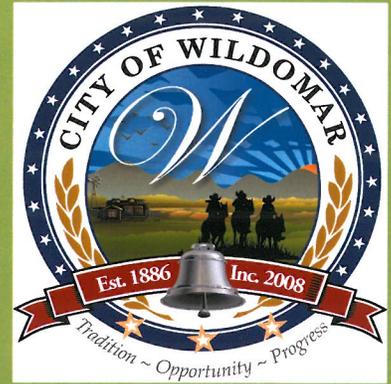
CITY OF WILDOMAR
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
STATISTICAL SECTION (Continued)	
Full-Time Equivalent City Government Employees by Function/Program Last Four Fiscal Years.....	80
Operating Indicators by Function/Program – Last Four Fiscal Years.....	81
Capital Asset Statistics by Function/Program – Last Four Fiscal Years.....	82
Miscellaneous Statistics	83

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF WILDOMAR



INTRODUCTORY SECTION

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



23873 Clinton Keith Rd, Ste 201
Wildomar, CA 92595
951/677-7751 Phone
951/698-1463 Fax
www.CityofWildomar.org

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

December 19, 2012

Letter of Transmittal
Fiscal Year 2011-12 Comprehensive Annual Financial Report (CAFR)

Dear Honorable Mayor, Council Members and Wildomar Citizens,

I am pleased to present the 2011-12 Comprehensive Annual Financial Report for the City of Wildomar, California for the fiscal year ended June 30, 2012.

This report consists of management representations concerning the finances of the City of Wildomar in its fourth 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, 2012, 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 32,719 residents.

The City Council consists of 5 Council Members, elected at large on a non-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, economic development and the operations and maintenance of the cemetery.

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.

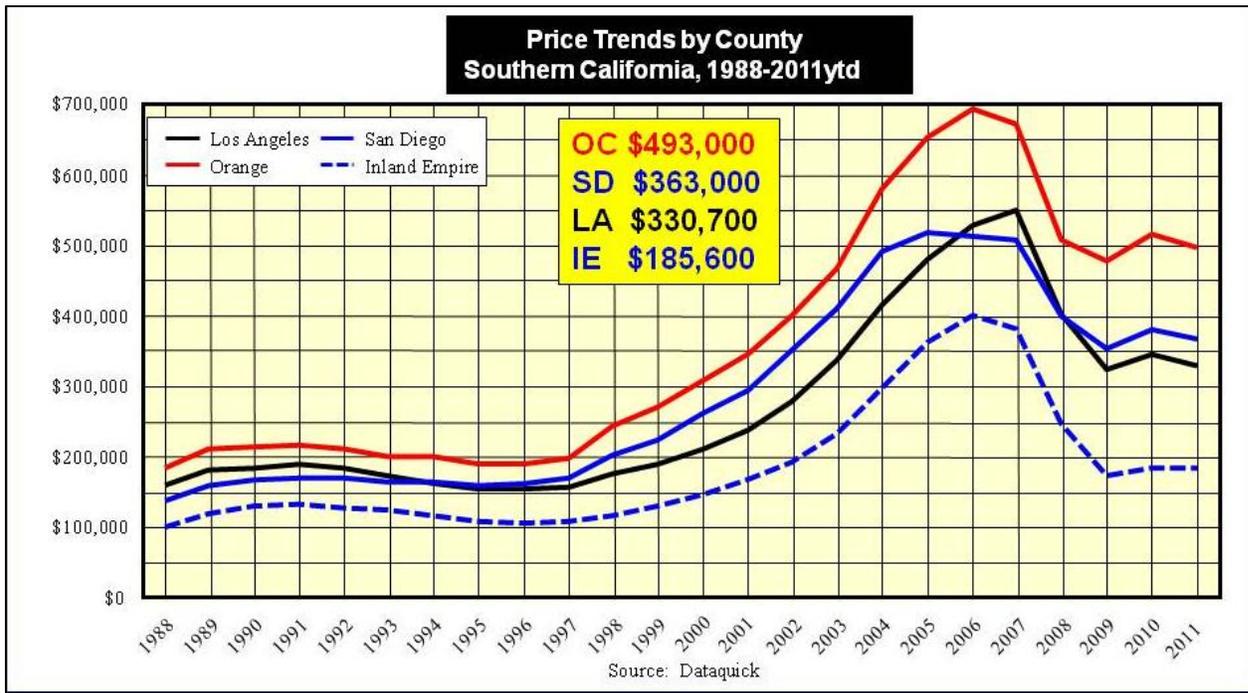
The Ad-Hoc Finance Committee meets with the City Manager at a workshop in mid-April. The City Manager presents the proposed budget for all governmental activities to the City Council at the first Council meeting in June for review. The City Council is required to hold a public hearing on the proposed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

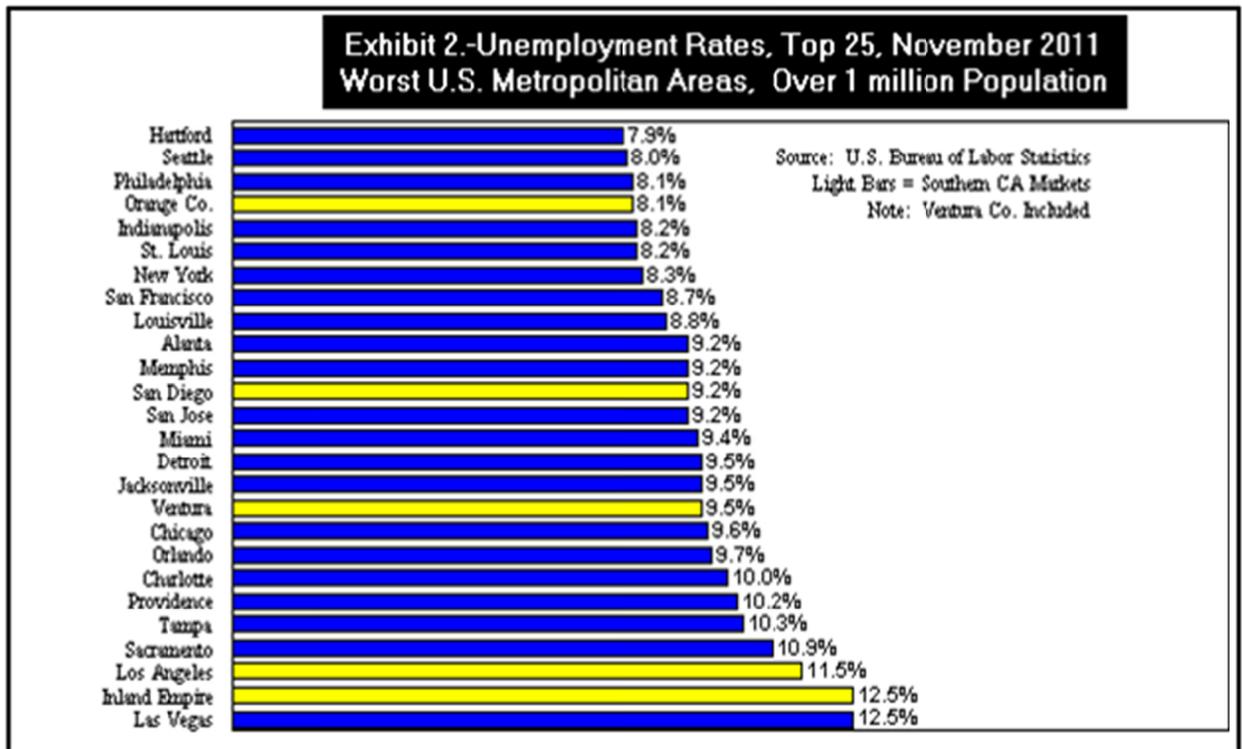
The City of Wildomar, in its fourth year of incorporation, has been experiencing the same anemic economic environment as the rest of the State. High unemployment and reduced property valuations continue to significantly affect the financial condition of this new city.



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 (12.5%).

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 2011-12 to exceed \$5.4 million. However, the CFA did not project the economic downturn which has left the city with less than \$2.5 million in property tax revenues for the FY 2011-12.

The 44% 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.



State of California.....Fiscal Impacts on Wildomar

On June 8, 2011, the City Council adopted the fiscal year 2011-12 Operating Budgets for the City of Wildomar. A modest, conservative and balanced budget totaling \$8.2 million. Shortly before its scheduled July 1, 2011 implementation, Governor Brown, on the eve of June 30, 2011 approved Senate Bill (SB) 89.

SB 89, was a last-minute budget trailer bill that among other impacts, eliminated \$130 million in California cities Motor Vehicle License Fee (MVLFF) general fund revenues. Specifically, the approval of SB89 by Governor Brown, directed the taking of \$1,782,000 (22%) of budgeted revenues away from the City of Wildomar's \$8,246,100 general fund revenue budget. Furthermore, as in prior years, the City expected to receive the majority of these MVLFF revenues during the month of August which greatly assisted with the City's operating cash flow.

Resulting from the actions taken by the Governor, the City Council, at a Special Council Meeting on July 7, 2011 directed staff to provide a listing of potential budget cuts to meet the newly imposed budget funding levels. At the July 27, 2011 City Council meeting, city staff presented a listing of possible reductions. That evening, the City Council approved a budget reduction plan totaling \$1,823,000.

The planned reductions of \$1,823,000 in the General Fund were primarily directed at:

- Police Services Reduced from 72 hours per day to 40 hours
- 20% Reduction in City Hall Service Hours

- Salary and Benefit Costs reduced
- 50% Reduction in Public Meetings with City Council and Planning Commission

The City continued to seek alternative sources to supplement the \$1.8m taking by the State, however in the near term, the actions of the budget reduction program resulted in an actual reduction of \$ 2,030,718 expenditures at fiscal year end.

The City management, working with the ad-hoc finance subcommittee was very sensitive to these fiscal impacts and continued to 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 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.
- Renegotiated all the major city contracts to balance the budget for 2011-12 fiscal year.
- Completed 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.
- 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

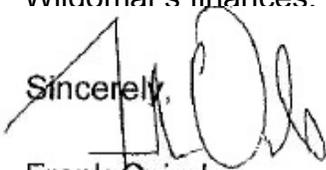
The City has a set of financial policies that it abides by and is continually enhancing and adding relevant policies as it develops its formal financial systems. Initially following incorporation, the City adopted all of the County's policies/codes. As the City develops its own unique needs, it will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

Concluding remarks

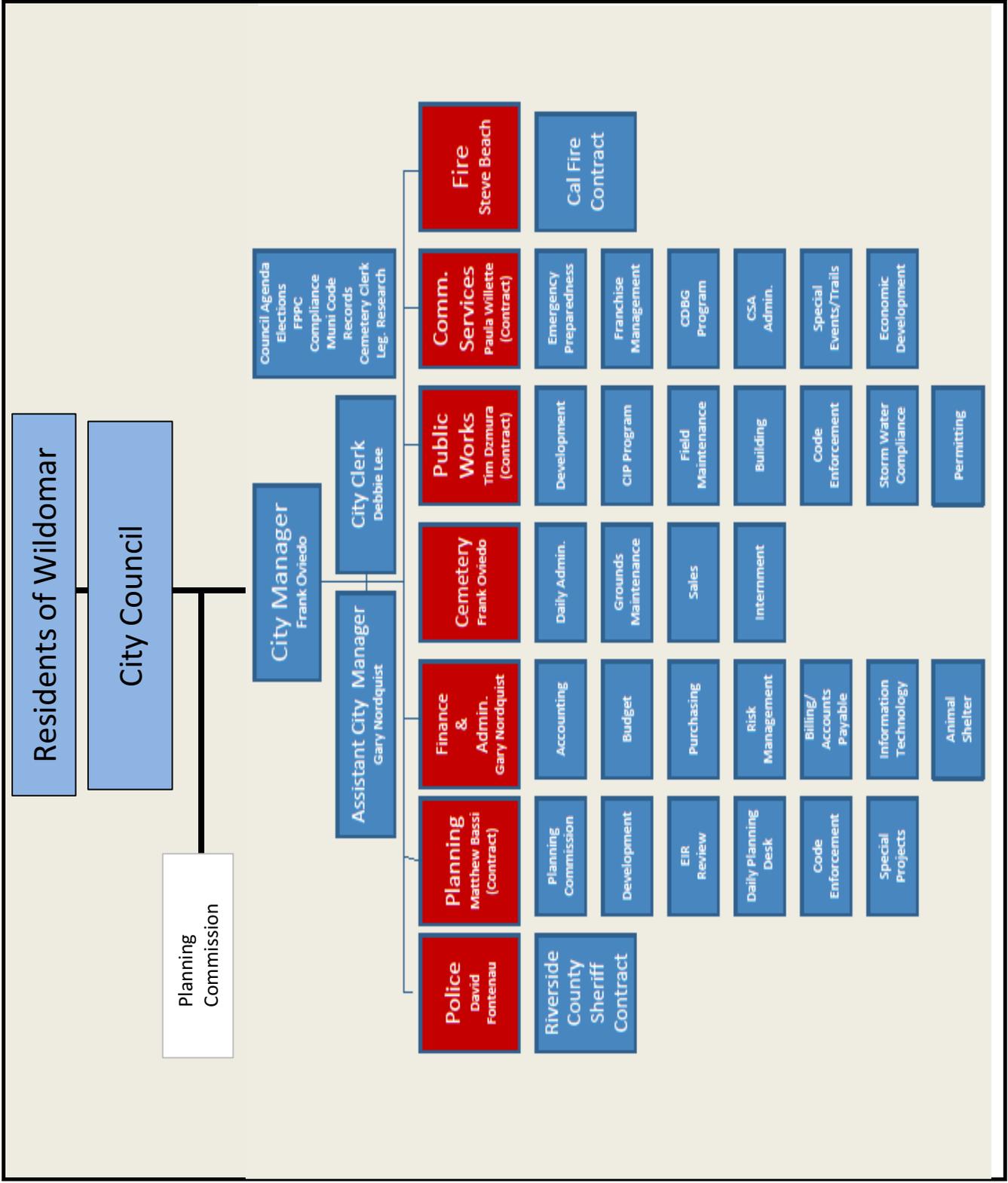
The City, in its fourth year of operation, has achieved a great deal in transitioning from the County support services and establishing its own culture and approach to local governance. This year provided the city the opportunity to start the implementation of its longer term oriented policies and procedures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





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

City Manager
Frank Oviedo

City Attorney
Thomas Jex

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, 2011

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.



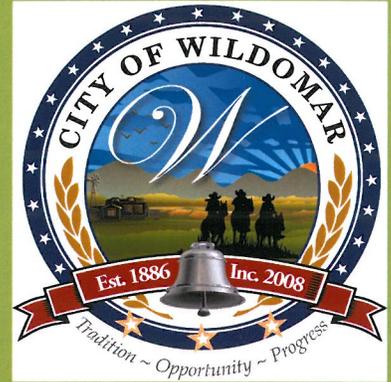
Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

CITY OF WILDOMAR



FINANCIAL SECTION



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
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Wildomar, California's management. Our responsibility is to express an opinion 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 of Wildomar, California, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, Gas Tax, Measure A, Grants, and Wildomar Cemetery District 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 December 26, 2012, on our consideration of the City of Wildomar, California'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



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

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Wildomar, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 and schedules 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, Solt & Lughard, LLP

Brea, California
December 26, 2012

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

For the Year Ended June 30, 2012

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, 2012. 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 vii 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, 2012, by \$15,140,660. The total net assets include all infrastructures of the governmental funds.
- The City of Wildomar's total net assets increased by \$625,580, or 4.3%.
- As of June 30, 2012, the City of Wildomar's governmental funds reported combined ending fund balances of \$5,513,711, an increase of \$1,524,797 in comparison to the prior year. Approximately \$1.2 million of this amount is due to the Wildomar Cemetery District becoming a subsidiary district of the City of Wildomar. Of the total fund balance, 21 percent of this total, or \$1,160,283 is available for spending at the government's discretion (*unassigned*). As of June 30, 2012, the unassigned fund balance for the general fund was \$1,262,279, or approximately 19.2 percent of total general fund expenditures.

- The City of Wildomar's total general obligation debt increased by \$180,431 during FY 2011-12 due in part, 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 \$76,907. This loan, including both general fund and special revenue funds, is now valued at \$1,999,581. The remaining increase is due to an increase in the liability for compensated absences \$38,929 and other post-retirement benefits of \$64,595 of which \$35,437 is due to the merger with the Cemetery District.

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 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 are 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 twenty-five individual governmental funds. Information is summarized 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 twenty-five 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 4 through 34 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 \$15,140,660 at June 30, 2012. 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 (77%).

Table 1 Net Assets-Primary Government

City of Wildomar				
Summary of Net Assets				
For the Year Ended June 30, 2012				
	Governmental Activities			
	2012	2011	2010	2009
Assets:				
Current and other assets	\$ 7,557,176	\$ 6,445,594	\$ 5,157,998	\$ 3,921,764
Capital assets	11,725,170	12,329,670	13,341,779	14,841,391
Total Assets	<u>19,282,346</u>	<u>18,775,264</u>	<u>18,499,777</u>	<u>18,763,155</u>
Liabilities:				
Other Liabilities	2,019,196	2,285,577	1,731,981	1,276,432
Long-term Liabilities	2,122,490	1,974,607	1,862,830	1,779,278
Total Liabilities	<u>4,141,686</u>	<u>4,260,184</u>	<u>3,594,811</u>	<u>3,055,710</u>
Net Assets:				
Invested in capital assets, net of related debt	11,725,170	12,329,670	13,341,779	14,841,391
Restricted	4,044,485	2,723,301	2,381,603	1,360,470
Unrestricted	(628,995)	(537,891)	(818,416)	(494,416)
Total Net Assets	<u>15,140,660</u>	<u>14,515,080</u>	<u>14,904,966</u>	<u>15,707,445</u>

During the fiscal year ended June 30, 2012, net assets were \$15,140,660 of which \$11,725,170 is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$4,044,485 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, 2012				
	Governmental Activities			
	2012	2011	2010	2009
Revenues				
Program Revenues				
Charges for Service	\$ 354,539	\$ 771,174	\$ 865,329	\$ 336,359
Operating Grants and Contributions	4,330,946	2,918,349	3,472,911	2,694,666
Capital Grants and Contributions	-	226,422	-	43,653,393
General Revenues				
Sales Taxes	1,362,647	1,226,227	1,096,907	1,295,785
Property Taxes	3,307,425	3,092,037	2,743,768	3,589,773
Other Taxes	1,439,678	2,791,601	2,930,609	3,212,516
Other Revenues	30,943	32,882	84,030	15,395
Use of Money and Property	12,011	7,737	9,682	20,403
Total Revenues	10,838,189	11,066,429	11,203,236	54,818,290
Expenses				
General Government	1,923,733	2,231,313	1,798,566	2,156,911
Public Safety	3,996,420	5,413,023	5,378,962	5,547,480
Community Development	1,253,984	1,069,198	1,786,894	1,501,865
Parks and Recreation	303,190	297,168	341,458	463,746
Public Works	2,551,241	2,371,664	2,741,040	29,440,843
Interest on Long-term debt	76,907	73,949	71,105	-
Total Expenses	10,105,475	11,456,315	12,118,025	39,110,845
Increase (Decrease) in Net Assets	732,714	(389,886)	(914,789)	15,707,445
Beginning Net Assets	14,515,080	14,904,966	15,707,445	-
Restatement of Net Assets	(107,134)	-	112,310	-
Ending Net Assets	\$ 15,140,660	\$ 14,515,080	\$ 14,904,966	\$ 15,707,445

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 \$228,240 (2.1%) as compared to the fiscal year 2010-11. The taking of the recurring Motor Vehicle License Fee Revenues (MVLFF. estimated at \$1.7m of “Other Taxes”) is partially offset by the one -time revenue contribution associated with the by the addition of the Cemetery District to the City’s organization and financial reports.

Of significant note, is the expenditure decrease of \$1,350,840 (11.8%) which is due to the conservative fiscal policies the City Council enacted in response to the State of California’s taking of the City’s MVLFF revenue.

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 \$5,513,711, which represented a \$1,417,663, or (35%) increase from the prior fiscal year. The majority of the increase was due to the Wildomar Cemetery District being established as a subsidiary district of the City of Wildomar (\$1,426,978).

Approximately 21 percent of the total ending balance of \$5,513,711, or \$1,160,283 constitutes unassigned fund balance, which is available for spending at the government's discretion, \$4,044,485, or 73 percent represents restricted fund balance and \$308,943, or 6 percent represents nonspendable fund balance.

Other Major Funds 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 2011-12.

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 and 2011-12. 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 \$1,262,279, or 19.2% of the City's expenditures of \$6,556,182. The ending fund balance is \$1,765 more than the beginning fund balance.

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

- The Property Tax related revenues decreased by \$30,097 (1.0%) during the year. The Sales Tax Revenue increase of \$136,411 (11.1%) is reflective of increases in fuel and other transportation related sales. Aside from these events, in both major revenue categories, the past year's activity demonstrates a stabilization and possible bottom the local economic trends.
- When Governor Brown signed Senate Bill 89 (SB 89) on the eve of the new fiscal year, this last-minute budget trailer bill which among other impacts, eliminated \$130 million in California cities Motor Vehicle License Fee (MVLFF) general fund revenues. Specifically, the approval of SB89 by Governor Brown, directed the taking of \$1,782,000 (22%) of budgeted revenues away from the City of Wildomar's \$8,246,100 general fund revenue budget. Furthermore, as in prior years, the City expected to receive the majority of these MVLFF revenues during the month of August which greatly assisted with the City's operating cash flow. Resulting from the actions taken by the Governor, the City Council, at a Special Council Meeting on July 7, 2011 directed staff to provide a listing of potential budget cuts to meet the newly imposed budget funding levels. At the July 27, 2011 City Council meeting, city staff presented a listing of possible reductions. That evening, the City Council approved a budget reduction plan totaling \$1,823,000. The planned reductions of \$1,823,000 in the General Fund were primarily directed at:
 - Police Services Reduced from 72 hours per day to 40 hours
 - 20% Reduction in City Hall Service Hours
 - Salary and Benefit Costs reduced
 - 50% Reduction in Public Meetings with City Council and Planning Commission

The City continued to seek alternative sources to supplement the \$1.8m taking by the State, however in the near term, the actions of the budget reduction program resulted in an actual reduction of \$ 2,030,718 expenditures at fiscal year end.

Overall total General Fund expenditures were \$6,556,182 compared to \$8,318,347 incurred last year. The reduction of \$1,762,165 (21.2%) was in direct response to management's directives to reduce expenditures due to the stage take away of the city's MVLF revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the General Fund Expenditures and the adopted Original Budget was an under-run of \$2,030,718 (23.6%). The difference between the General Fund Expenditures and the Adopted Final Budget was a net under-run of \$631,318 (8.7%)

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, 2012, is \$11,725,170 (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, 2012					
	Beginning Balance	Contributions from other Entities	Additions	Deletions	Ending Balance
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 713,489	\$ 576,517	\$ -	\$ -	\$ 1,290,006
Right-of-way	354,422	-	8,223	-	362,645
Total Capital Assets, Not Being Depreciated	<u>1,067,911</u>	<u>576,517</u>	<u>8,223</u>	<u>-</u>	<u>1,652,651</u>
Capital Assets, being depreciated:					
Buildings and Improvements	6,526,256	349,598	-	-	6,875,854
Furniture, fixtures and Equipment	11,765	127,009	6,949	-	145,723
Infrastructure	36,285,648	-	-	-	36,285,648
Total Capital Assets, Being Depreciated	<u>42,823,669</u>	<u>476,607</u>	<u>6,949</u>	<u>-</u>	<u>43,307,225</u>
Less Accumulated Depreciation					
Buildings and Improvements	870,168	313,121	232,021	-	1,415,310
Furniture, fixtures and Equipment	6,876	124,042	3,816	-	134,734
Infrastructure	30,684,866	-	999,796	-	31,684,662
Total Accumulated Depreciation	<u>31,561,910</u>	<u>437,163</u>	<u>1,235,633</u>	<u>-</u>	<u>33,234,706</u>
Total Capital Assets, Being Depreciated, Net	<u>11,261,759</u>	<u>39,444</u>	<u>(1,228,684)</u>	<u>-</u>	<u>10,072,519</u>
Government Activities Capital Assets, Net	<u>12,329,670</u>	<u>615,961</u>	<u>(1,220,461)</u>	<u>-</u>	<u>11,725,170</u>

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

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

Long-term Debt

At year end, the City had \$2,168,192 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 (\$1,999,581) the County provided to the City during the City's first year of incorporation and compensated absences (\$90,862) Other Post-Retirement Benefits (\$77,749). Long-term debt increased \$180,431 during the year due to interest expense for the County loan (\$76,907) and compensated absences (\$38,929) and OPEB (\$64,595). The addition of the Cemetery District to the City's organization provided \$39,505 of the increase. 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, 2012

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, 2012						
	Beginning Balance	Contributions from Other Entities	Additions	Deductions	Ending Balance	Within One Year
Loan from Riverside County	\$ 1,777,620	\$ -	\$ -	\$ -	\$ 1,777,620	\$ -
Matured Unpaid Interest	145,054	-	76,907	-	221,961	-
Total County Loan	1,922,674	-	76,907	-	1,999,581	-
Other Post-Retirement Benefits	13,154	35,437	32,059	2,901	77,749	-
Compensated Absences	51,933	4,068	66,494	31,633	90,862	45,702
Total Long-Term Liabilities	\$ 1,987,761	\$ 39,505	\$ 175,460	\$ 34,534	\$ 2,168,192	\$ 45,702

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, 2012, in preparing the budget for fiscal year 2012-13, 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 2012-13 budget was to achieve and maintain an appropriate balance of expenditure reductions to address the negative economic and State of California 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, 2012 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, 2012, 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, 2012 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 same as last year.
- Residential property values are known to be decreasing (1% 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 on-going with the County regarding this commitment made by the County.

The Adopted Operating Budget for Fiscal Year 2012-13 is structurally balanced, addresses some of the City Council's priorities, and attempts to balance achievement of community needs and accomplishment of the Council's goals and objectives while maintaining financial stability in light of the State's taking of the City's MVLF revenues.

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

THIS PAGE INTENTIONALLY LEFT BLANK

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF WILDOMAR

STATEMENT OF NET ASSETS
 JUNE 30, 2012

	<u>Primary Governmental Activities</u>
Assets:	
Cash and investments	\$ 5,773,580
Receivables:	
Accounts	1,563,289
Accrued interest	1,364
Prepaid costs	2,353
Deposits	211,752
Inventories	4,838
Capital assets not being depreciated	1,652,651
Capital assets, net of depreciation	<u>10,072,519</u>
Total Assets	<u>19,282,346</u>
Liabilities:	
Accounts payable	1,274,107
Accrued liabilities	26,630
Deposits payable	536,945
Due to other governments	135,812
Noncurrent liabilities:	
Due within one year	45,702
Due in more than one year	<u>2,122,490</u>
Total Liabilities	<u>4,141,686</u>
Net Assets:	
Invested in capital assets	11,725,170
Restricted for:	
Community development projects	715,474
Public works	1,997,091
Cemetery	1,331,920
Unrestricted	<u>(628,995)</u>
Total Net Assets	<u><u>\$ 15,140,660</u></u>

CITY OF WILDOMAR

STATEMENT OF ACTIVITIES
 JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Contributions and Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>		
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ 1,923,733	\$ 152,978	\$ 1,563,689	\$ -	\$ (207,066)
Public safety	3,996,420	-	100,000	-	(3,896,420)
Community development	1,253,984	117,509	574,834	-	(561,641)
Parks and recreation	303,190	4,034	24,471	-	(274,685)
Public works	2,551,241	80,018	2,067,952	-	(403,271)
Interest on long-term debt	76,907	-	-	-	(76,907)
Total Governmental Activities	10,105,475	354,539	4,330,946	-	(5,419,990)
Total Primary Government	\$ 10,105,475	\$ 354,539	\$ 4,330,946	\$ -	(5,419,990)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					3,307,425
Sales taxes					1,362,647
Franchise taxes					749,046
Business licenses taxes					12,705
Other taxes					83,021
Motor vehicle in lieu - unrestricted					18,450
Use of money and property					12,011
Other					30,943
Contributions from other entities					576,456
Total General Revenues					6,152,704
Change in Net Assets					732,714
Net Assets at Beginning of Year					14,515,080
Restatement of Net Assets					(107,134)
Net Assets at End of Year					\$ 15,140,660

FUND FINANCIAL STATEMENTS

CITY OF WILDOMAR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

Special Revenue Funds

	<u>General</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Grants</u>
Assets:				
Pooled cash and investments	\$ 1,905,033	\$ 779,990	\$ 816,700	\$ -
Receivables:				
Accounts, grants and taxes	650,397	318,903	75,076	430,257
Accrued interest	1,364	-	-	-
Prepaid costs	2,133	-	-	-
Deposits	211,752	-	-	-
Due from other funds	390,473	-	-	-
Inventories	-	-	-	-
Total Assets	<u>\$ 3,161,152</u>	<u>\$ 1,098,893</u>	<u>\$ 891,776</u>	<u>\$ 430,257</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 988,111	\$ 138,542	\$ -	\$ 105,822
Accrued liabilities	24,120	-	-	-
Deferred revenues	-	-	-	45,500
Deposits payable	536,945	-	-	-
Due to other governments	135,812	-	-	-
Due to other funds	-	-	-	339,797
Total Liabilities	<u>1,684,988</u>	<u>138,542</u>	<u>-</u>	<u>491,119</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Prepaid costs	2,133	-	-	-
Deposits	211,752	-	-	-
Cemetery Endowment	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public works	-	960,351	891,776	-
Cemetery	-	-	-	-
Unassigned	<u>1,262,279</u>	<u>-</u>	<u>-</u>	<u>(60,862)</u>
Total Fund Balances	<u>1,476,164</u>	<u>960,351</u>	<u>891,776</u>	<u>(60,862)</u>
Total Liabilities and Fund Balances	<u>\$ 3,161,152</u>	<u>\$ 1,098,893</u>	<u>\$ 891,776</u>	<u>\$ 430,257</u>

CITY OF WILDOMAR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Special Revenue Funds</u>		
	<u>Wildomar Cemetery District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Pooled cash and investments	\$ 1,405,122	\$ 866,735	\$ 5,773,580
Receivables:			
Accounts, grants and taxes	22,999	65,657	1,563,289
Accrued interest	-	-	1,364
Prepaid costs	220	-	2,353
Deposits	-	-	211,752
Due from other funds	-	-	390,473
Inventories	4,838	-	4,838
	<u>4,838</u>	<u>-</u>	<u>4,838</u>
Total Assets	<u>\$ 1,433,179</u>	<u>\$ 932,392</u>	<u>\$ 7,947,649</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 3,691	\$ 37,941	\$ 1,274,107
Accrued liabilities	2,510	-	26,630
Deferred revenues	-	24,471	69,971
Deposits payable	-	-	536,945
Due to other governments	-	-	135,812
Due to other funds	-	50,676	390,473
	<u>-</u>	<u>50,676</u>	<u>390,473</u>
Total Liabilities	<u>6,201</u>	<u>113,088</u>	<u>2,433,938</u>
Fund Balances:			
Nonspendable:			
Inventory	4,838	-	4,838
Prepaid costs	220	-	2,353
Deposits	-	-	211,752
Cemetery Endowment	90,000	-	90,000
Restricted for:			
Community development projects	-	715,474	715,474
Public works	-	144,964	1,997,091
Cemetery	1,331,920	-	1,331,920
Unassigned	<u>-</u>	<u>(41,134)</u>	<u>1,160,283</u>
Total Fund Balances	<u>1,426,978</u>	<u>819,304</u>	<u>5,513,711</u>
Total Liabilities and Fund Balances	<u>\$ 1,433,179</u>	<u>\$ 932,392</u>	<u>\$ 7,947,649</u>

CITY OF WILDOMAR

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances of governmental funds	\$ 5,513,711
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.	11,725,170
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Loan from County	(1,999,581)
Compensated absences	(90,862)
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.	(77,749)
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>69,971</u>
Net assets of governmental activities	<u><u>\$ 15,140,660</u></u>

CITY OF WILDOMAR

**STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Grants</u>
Revenues:				
Taxes	\$ 5,195,869	\$ -	\$ -	\$ -
Licenses and permits	25,100	-	-	-
Intergovernmental	167,817	1,115,405	436,347	475,385
Charges for services	110,450	-	-	-
Use of money and property	5,213	-	-	-
Fines and forfeitures	88,216	-	-	-
Developer participation	574,834	-	-	-
Miscellaneous	15,395	-	-	-
Total Revenues	<u>6,182,894</u>	<u>1,115,405</u>	<u>436,347</u>	<u>475,385</u>
Expenditures:				
Current:				
General government	1,431,889	-	-	82,541
Public safety	3,996,420	-	-	-
Community development	1,127,873	-	-	-
Parks and recreation	-	-	-	-
Public works	-	986,162	213,229	352,054
Total Expenditures	<u>6,556,182</u>	<u>986,162</u>	<u>213,229</u>	<u>434,595</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(373,288)</u>	<u>129,243</u>	<u>223,118</u>	<u>40,790</u>
Other Financing Sources (Uses):				
Transfers in	383,053	-	-	-
Transfers out	(8,000)	(176,090)	(34,908)	-
Contributions from other entities	-	-	-	-
Total Other Financing Sources (Uses)	<u>375,053</u>	<u>(176,090)</u>	<u>(34,908)</u>	<u>-</u>
Net Change in Fund Balances	<u>1,765</u>	<u>(46,847)</u>	<u>188,210</u>	<u>40,790</u>
Fund Balances, Beginning of Year, as previously reported	1,474,399	1,007,198	703,566	(101,652)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	<u>1,474,399</u>	<u>1,007,198</u>	<u>703,566</u>	<u>(101,652)</u>
Fund Balances, End of Year	<u>\$ 1,476,164</u>	<u>\$ 960,351</u>	<u>\$ 891,776</u>	<u>\$ (60,862)</u>

CITY OF WILDOMAR

**STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds		
	Wildomar Cemetery District	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 318,975	\$ -	\$ 5,514,844
Licenses and permits	-	-	25,100
Intergovernmental	-	403,603	2,598,557
Charges for services	9,400	-	119,850
Use of money and property	6,798	-	12,011
Fines and forfeitures	-	-	88,216
Developer participation	-	118,188	693,022
Miscellaneous	15,838	-	31,233
Total Revenues	351,011	521,791	9,082,833
Expenditures:			
Current:			
General government	104,781	237,380	1,856,591
Public safety	-	-	3,996,420
Community development	-	126,111	1,253,984
Parks and recreation	-	85,648	85,648
Public works	-	-	1,551,445
Total Expenditures	104,781	449,139	8,744,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	246,230	72,652	338,745
Other Financing Sources (Uses):			
Transfers in	8,000	-	391,053
Transfers out	(13,304)	(158,751)	(391,053)
Contributions from other entities	1,186,052	-	1,186,052
Total Other Financing Sources (Uses)	1,180,748	(158,751)	1,186,052
Net Change in Fund Balances	1,426,978	(86,099)	1,524,797
Fund Balances, Beginning of Year, as previously reported	-	1,012,537	4,096,048
Restatements	-	(107,134)	(107,134)
Fund Balances, Beginning of Year, as restated	-	905,403	3,988,914
Fund Balances, End of Year	\$ 1,426,978	\$ 819,304	\$ 5,513,711

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, 2012**

Net change in fund balances - total governmental funds \$ 1,524,797

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 outlay	15,172
Capital contributions (net of accumulated depreciation)	615,961
Depreciation	(1,235,633)

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	(76,907)
---	----------

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.

	(38,929)
--	----------

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.

	(64,595)
--	----------

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.

	(7,152)
--	---------

Change in net assets of governmental activities	\$ 732,714
--	-------------------

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,474,399	\$ 1,474,399	\$ 1,474,399	\$ -
Resources (Inflows):				
Taxes	4,580,000	5,039,000	5,195,869	156,869
Licenses and permits	167,000	20,000	25,100	5,100
Intergovernmental	1,857,000	145,800	167,817	22,017
Charges for services	55,000	84,100	110,450	26,350
Use of money and property	4,000	4,000	5,213	1,213
Fines and forfeitures	173,000	96,400	88,216	(8,184)
Developer participation	901,000	611,000	574,834	(36,166)
Miscellaneous	114,000	121,600	15,395	(106,205)
Transfers in	395,100	428,800	383,053	(45,747)
Amounts Available for Appropriation	9,720,499	8,025,099	8,040,346	15,247
Charges to Appropriation (Outflow):				
General government				
City Council	144,400	115,500	112,875	2,625
City Manager	287,000	275,600	272,297	3,303
City Clerk	146,500	158,900	148,924	9,976
City Attorney	122,000	161,000	157,952	3,048
Finance	483,400	416,700	407,321	9,379
Non-departmental	303,700	276,300	269,100	7,200
Community services	71,200	71,200	54,753	16,447
Marna O'Brien Park	-	12,200	7,291	4,909
Heritage Park	-	500	(448)	948
Windsong Park	-	1,300	1,824	(524)
Public safety				
Police	3,812,500	2,357,600	2,022,374	335,226
Fire	1,850,000	1,821,000	1,753,115	67,885
Animal control	354,300	354,300	202,657	151,643
OEM	23,700	22,700	18,274	4,426
Community development				
Community development	12,700	12,700	12,327	373
Building and safety	233,600	288,800	285,870	2,930
Planning	201,200	154,600	146,367	8,233
Code enforcement	123,500	129,000	127,563	1,437
Development engineering	56,700	8,700	4,860	3,840
Deposit based projects	363,500	522,500	521,104	1,396
Public Works	5,000	34,400	29,782	4,618
Transfers out	-	-	8,000	(8,000)
Total Charges to Appropriations	8,594,900	7,195,500	6,564,182	631,318
Budgetary Fund Balance, June 30	\$ 1,125,599	\$ 829,599	\$ 1,476,164	\$ 646,565

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
GAS TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,007,198	\$ 1,007,198	\$ 1,007,198	\$ -
Resources (Inflows):				
Intergovernmental	1,112,000	1,112,010	1,115,405	3,395
Amounts Available for Appropriation	2,119,198	2,119,208	2,122,603	3,395
Charges to Appropriation (Outflow):				
Public works	932,000	987,500	986,162	1,338
Transfers out	180,000	180,000	176,090	3,910
Total Charges to Appropriations	1,112,000	1,167,500	1,162,252	5,248
Budgetary Fund Balance, June 30	\$ 1,007,198	\$ 951,708	\$ 960,351	\$ 8,643

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
MEASURE A
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 703,566	\$ 703,566	\$ 703,566	\$ -
Resources (Inflows):				
Intergovernmental	419,000	419,000	436,347	17,347
Amounts Available for Appropriation	1,122,566	1,122,566	1,139,913	17,347
Charges to Appropriation (Outflow):				
Public works	385,000	385,000	213,229	171,771
Transfers out	28,000	28,000	34,908	(6,908)
Total Charges to Appropriations	413,000	413,000	248,137	164,863
Budgetary Fund Balance, June 30	\$ 709,566	\$ 709,566	\$ 891,776	\$ 182,210

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
GRANTS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (101,652)	\$ (101,652)	\$ (101,652)	\$ -
Resources (Inflows):				
Intergovernmental	-	781,500	475,385	(306,115)
Amounts Available for Appropriation	(101,652)	679,848	373,733	(306,115)
Charges to Appropriation (Outflow):				
General government	560,700	233,200	82,541	150,659
Public works	60,000	423,700	352,054	71,646
Total Charges to Appropriations	620,700	656,900	434,595	222,305
Budgetary Fund Balance, June 30	\$ (722,352)	\$ 22,948	\$ (60,862)	\$ (83,810)

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
WILDOMAR CEMETERY DISTRICT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	-	217,500	318,975	101,475
Charges for services	-	-	9,400	9,400
Use of money and property	-	1,600	6,798	5,198
Miscellaneous	-	73,000	15,838	(57,162)
Transfers in	-	-	8,000	8,000
Contributions from other entities	-	1,208,800	1,186,052	(22,748)
Amounts Available for Appropriation	-	1,500,900	1,545,063	44,163
Charges to Appropriation (Outflow):				
General government	-	261,800	104,781	157,019
Transfers out	-	-	13,304	(13,304)
Total Charges to Appropriations	-	261,800	118,085	143,715
Budgetary Fund Balance, June 30	\$ -	\$ 1,239,100	\$ 1,426,978	\$ 187,878

NOTES TO FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

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 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.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 Grants Fund accounts for revenues and expenditures of specific purpose grants within the City.

The Wildomar Cemetery District accounts for revenues and expenditures of the Wildomar Cemetery District, which includes transactions for services, rents, property taxes and interest. The City took over the operations of the District on November 9, 2011 after the Riverside County Local Agency Formation Commission approved the Wildomar Cemetery District as a subsidiary district of the City. This fund also includes an endowment of \$90,000 that is derived from an endowment care fee assessed on each sale of burial right and earnings on these resources.

Additionally, the City reports the following fund types:

The capital projects fund accounts for the acquisition and operation of the government's capital facilities that were acquired from Riverside County.

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.

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.

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 fair 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 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, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

<u>Assets</u>	<u>Years</u>
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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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 do not have excess expenditures over appropriations.

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

<u>Fund</u>	<u>Amount</u>
Special Revenue Fund:	
Grants	\$ 60,862
TDA	24,471
Community Development Block Grant	9
Capital Project Fund:	
County Service Area	16,654

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental Activities	<u>\$ 5,773,580</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, 2012, the carrying amount of the City's deposits was \$4,108,503 and the bank balance was \$4,567,378. The \$458,875 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.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

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 transaction, a government will not be able to recover the value of

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

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, 2012, 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, 2012, the City's investment in LAIF and money market is unrated.

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, 2012, the City had the following investments and remaining maturities:

	Investment Maturities (in Years)	Fair Value
	<u>Less than 1 year</u>	<u></u>
California Local Agency Investment Fund	\$ 1,538,044	\$ 1,538,044
Money Market	127,033	127,033
Total	<u>\$ 1,665,077</u>	<u>\$ 1,665,077</u>

CITY OF WILDOMAR

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Contributions from Other Entities	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 713,489	\$ 576,517	\$ -	\$ -	\$ 1,290,006
Right-of-way	354,422	-	8,223	-	362,645
Total Capital Assets, Not Being Depreciated	<u>1,067,911</u>	<u>576,517</u>	<u>8,223</u>	<u>-</u>	<u>1,652,651</u>
Capital assets, being depreciated:					
Buildings and improvements	6,526,256	349,598	-	-	6,875,854
Furniture, fixtures and equipment	11,765	127,009	6,949	-	145,723
Infrastructure	36,285,648	-	-	-	36,285,648
Total Capital Assets, Being Depreciated	<u>42,823,669</u>	<u>476,607</u>	<u>6,949</u>	<u>-</u>	<u>43,307,225</u>
Less accumulated depreciation:					
Buildings and improvements	870,168	313,121	232,021	-	1,415,310
Furniture, fixtures and equipment	6,876	124,042	3,816	-	134,734
Infrastructure	30,684,866	-	999,796	-	31,684,662
Total Accumulated Depreciation	<u>31,561,910</u>	<u>437,163</u>	<u>1,235,633</u>	<u>-</u>	<u>33,234,706</u>
Total Capital Assets, Being Depreciated, Net	<u>11,261,759</u>	<u>39,444</u>	<u>(1,228,684)</u>	<u>-</u>	<u>10,072,519</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,329,670</u>	<u>\$ 615,961</u>	<u>\$ (1,220,461)</u>	<u>\$ -</u>	<u>\$ 11,725,170</u>

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

Governmental Activities:	
General government	\$ 18,295
Parks and recreation	217,542
Public works	<u>999,796</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,235,633</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	\$ 289,000	\$ (77,248)	\$ 211,752

CITY OF WILDOMAR

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 6: Long-Term Liabilities

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2012:

	Beginning Balance	Contributions from Other Entities	Additions	Deductions	Ending Balance	Within One Year
Loan from County	\$ 1,777,620	\$ -	\$ -	\$ -	\$ 1,777,620	\$ -
Matured unpaid interest	145,054	-	76,907	-	221,961	-
Total County loan	1,922,674	-	76,907	-	1,999,581	
Other Post-Retirement Benefits	13,154	35,437	32,059	2,901	77,749	
Compensated absences	51,933	4,068	66,494	31,633	90,862	45,702
Total Long-Term Liabilities	<u>\$ 1,987,761</u>	<u>\$ 39,505</u>	<u>\$ 175,460</u>	<u>\$ 34,534</u>	<u>\$ 2,168,192</u>	<u>\$ 45,702</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, 2012, including matured unpaid interest of \$221,961, is \$1,999,581.

Compensated Absences

The City accrues accumulated unpaid vacation, sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee as described in Note 1. The City at June 30, 2012 had an outstanding accrued balance of unpaid vacation, sick and associated employee of \$90,862 that will be liquidated from various funding sources in future years.

Note 7: Interfund Receivable, Payable and Transfers

a. Due To / From Other Funds

Funds	Due To Other Funds		Total
	Grants Fund	Other Governmental Funds	
Due From Other Funds: General Fund	<u>\$ 339,797</u>	<u>\$ 50,676</u>	<u>\$ 390,473</u>

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

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7: Interfund Receivable, Payable and Transfers (Continued)

b. Interfund Transfers

	Transfer Out:					Total
	General Fund	Gas Tax Fund	Measure A Fund	Wildomar Cemetery District	Other Governmental Funds	
Transfers In:						
General Fund	\$ -	\$ 176,090	\$ 34,908	\$ 13,304	\$ 158,751	\$ 383,053
Wildomar Cemetery District	8,000	-	-	-	-	8,000
Total	\$ 8,000	\$ 176,090	\$ 34,908	\$ 13,304	\$ 158,751	\$ 391,053

During the year, interfund transfers were made to the General Fund and Wildomar Cemetery District for the purposes of funding administrative costs.

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 16.460% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Required Contribution

For fiscal year 2011-2012, the City's required contribution of \$131,402 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 8: Pension Plan (Continued)

Three-Year Trend Information		
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/10	\$ 68,028	100%
6/30/11	81,931	100%
6/30/12	131,402	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.

Note 9: Other Post-Employment Benefits

Other Post-employment benefits of the City of Wildomar

Plan Description

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit healthcare plan. These benefits are provided per contract between the City and the employee associations. Separate financial statements are 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 due to there being no retired members at June 30, 2012. There was no contribution made during the 2011-2012 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:

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: Other Post-Employment Benefits (Continued)

Annual required contribution (ARC)	\$ 13,154
Interest on net OPEB obligation (asset)	263
Adjustment to ARC	<u>(587)</u>
Annual OPEB Cost	12,830
Contributions made	<u>-</u>
(Decrease) increase in Net OPEB obligation	12,830
Net OPEB obligation (asset) June 30, 2011	<u>13,154</u>
Net OPEB obligation (asset) June 30, 2012	<u><u>\$ 25,984</u></u>

For the fiscal year 2011-2012, the City's annual OPEB cost (expense) was \$12,830. 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
6/30/2012	12,830	-	0%	25,984

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.

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 actuarial 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Other Post-Employment Benefits (Continued)

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 entry age normal cost method was used. The actuarial assumptions include a 5.0% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 2.5% to 8.2% after eight years. The actuarial value of assets is set equal to the reported fair 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, 2012, was thirty years. The number of active participants is 10 and there are no retirees receiving benefits.

Other Post-employment benefits of the Wildomar Cemetery District

Plan Description

The Wildomar Cemetery District provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing on behalf of all eligible retirees \$509.58/month until age 65 and at age 65 until deceased, \$300.00/month. These benefits are provided per contract between the District and the plan members. Subsequent to November 9, 2012, the City has since taking over the operations of the District. 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, Board Members and/or the plan members. Prior to the operations of the Wildomar Cemetery District being taken over by the City, the District contributed \$1,200 to cover the current plan premiums. This has reduced the Net OPEB Obligation that was recorded. During the 2011-2012 fiscal year, the City contributed \$2,901 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)	\$ 23,528
Interest on net OPEB obligation	733
Adjustment to ARC	<u>(5,032)</u>
Annual OPEB cost	19,229
Contributions made	<u>(2,901)</u>
(Decrease) increase in Net OPEB obligation	16,328
Net OPEB obligation (asset) - beginning of year	<u>35,437</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 51,765</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011-2012 and the two preceding years were as follows:

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: Other Post-Employment Benefits (Continued)

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 23,528	\$ 4,032	17.14%	\$ 19,496
6/30/2011	22,177	5,036	22.71%	36,637
6/30/2012	19,229	4,101	21.33%	51,765

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.

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 actuarial of the plan. An actuarial is received every two years.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	6/30/2010	\$ -	\$317,276	\$317,276	0.0%	\$104,164	304.6%	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, 2010, actuarial valuation, the level percentage of payroll was used. The actuarial assumptions include a 5.0% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 4.1%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period at June 30, 2012, was twenty-nine years. The number of active participants is 3.

CITY OF WILDOMAR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 to \$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.

The PARSAC will publish its own financial report for the year ended June 30, 2012, 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, 2012, the City did not have any significant claims liability; therefore, no accrual was required.

Note 11: Restatement of Fund Balance and Net Assets

Fund balance and net assets have been restated by \$107,134 to correct the prior year fund balance of the TDA Fund.

Note 12: Wildomar Cemetery District

On July 28, 2011 Riverside County Local Agency Formation Commission unanimously approved the City of Wildomar to take over the operations of the District. On November 9, 2011, the City Council of the City of Wildomar officially accepted the Wildomar Cemetery District as a subsidiary District of the City. The City of Wildomar Council will be the district's Board of Directors.

THIS PAGE INTENTIONALLY LEFT BLANK

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF WILDOMAR

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds			
	Air Quality Management District	Development Impact Fees	SLESF	TDA
Assets:				
Pooled cash and investments	\$ 134,888	\$ 731,847	\$ -	\$ -
Receivables:				
Accounts, grants and taxes	10,076	-	25,000	24,471
Total Assets	\$ 144,964	\$ 731,847	\$ 25,000	\$ 24,471
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 16,373	\$ -	\$ -
Deferred revenues	-	-	-	24,471
Due to other funds	-	-	25,000	24,471
Total Liabilities	-	16,373	25,000	48,942
Fund Balances:				
Restricted for:				
Community development projects	-	715,474	-	-
Public works	144,964	-	-	-
Unassigned	-	-	-	(24,471)
Total Fund Balances	144,964	715,474	-	(24,471)
Total Liabilities and Fund Balances	\$ 144,964	\$ 731,847	\$ 25,000	\$ 24,471

CITY OF WILDOMAR

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	
	<u>Community Development Block Grant</u>	<u>County Service Area</u>	<u>Total Governmental Funds</u>
Assets:			
Pooled cash and investments	\$ -	\$ -	\$ 866,735
Receivables:			
Accounts, grants and taxes	-	6,110	65,657
Total Assets	<u>\$ -</u>	<u>\$ 6,110</u>	<u>\$ 932,392</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 21,568	\$ 37,941
Deferred revenues	-	-	24,471
Due to other funds	9	1,196	50,676
Total Liabilities	<u>9</u>	<u>22,764</u>	<u>113,088</u>
Fund Balances:			
Restricted for:			
Community development projects	-	-	715,474
Public works	-	-	144,964
Unassigned	<u>(9)</u>	<u>(16,654)</u>	<u>(41,134)</u>
Total Fund Balances	<u>(9)</u>	<u>(16,654)</u>	<u>819,304</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 6,110</u>	<u>\$ 932,392</u>

CITY OF WILDOMAR

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue Funds</u>			
	<u>Air Quality Management District</u>	<u>Development Impact Fees</u>	<u>SLESF</u>	<u>TDA</u>
Revenues:				
Intergovernmental	\$ 40,815	\$ -	\$ 100,000	\$ 61,177
Developer participation	-	118,188	-	-
Total Revenues	40,815	118,188	100,000	61,177
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	126,102	-	-
Parks and recreation	-	-	-	85,648
Total Expenditures	-	126,102	-	85,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,815	(7,914)	100,000	(24,471)
Other Financing Sources (Uses):				
Transfers out	(2,041)	(56,710)	(100,000)	-
Total Other Financing Sources (Uses)	(2,041)	(56,710)	(100,000)	-
Net Change in Fund Balances	38,774	(64,624)	-	(24,471)
Fund Balances, Beginning of Year, as previously reported	106,190	780,098	-	107,134
Restatements	-	-	-	(107,134)
Fund Balances, Beginning of Year, as Restated	106,190	780,098	-	-
Fund Balances, End of Year	\$ 144,964	\$ 715,474	\$ -	\$ (24,471)

CITY OF WILDOMAR

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>Community Development Block Grant</u>	<u>County Service Area</u>	
Revenues:			
Intergovernmental	\$ -	\$ 201,611	\$ 403,603
Developer participation	-	-	118,188
Total Revenues	<u>-</u>	<u>201,611</u>	<u>521,791</u>
Expenditures:			
Current:			
General government	-	237,380	237,380
Community development	9	-	126,111
Parks and recreation	-	-	85,648
Total Expenditures	<u>9</u>	<u>237,380</u>	<u>449,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9)</u>	<u>(35,769)</u>	<u>72,652</u>
Other Financing Sources (Uses):			
Transfers out	-	-	(158,751)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(158,751)</u>
Net Change in Fund Balances	<u>(9)</u>	<u>(35,769)</u>	<u>(86,099)</u>
Fund Balances, Beginning of Year, as previously reported	-	19,115	1,012,537
Restatements	-	-	(107,134)
Fund Balances, Beginning of Year, as Restated	-	19,115	905,403
Fund Balances, End of Year	<u>\$ (9)</u>	<u>\$ (16,654)</u>	<u>\$ 819,304</u>

CITY OF WILDOMAR

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT DISTRICT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 106,190	\$ 106,190	\$ 106,190	\$ -
Resources (Inflows):				
Intergovernmental	-	35,000	40,815	5,815
Amounts Available for Appropriation	106,190	141,190	147,005	5,815
Charges to Appropriation (Outflow):				
Public works	17,000	97,000	-	97,000
Transfers out	800	800	2,041	(1,241)
Total Charges to Appropriations	17,800	97,800	2,041	95,759
Budgetary Fund Balance, June 30	\$ 88,390	\$ 43,390	\$ 144,964	\$ 101,574

CITY OF WILDOMAR

**BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 780,098	\$ 780,098	\$ 780,098	\$ -
Resources (Inflows):				
Developer participation	42,690	211,400	118,188	(93,212)
Amounts Available for Appropriation	822,788	991,498	898,286	(93,212)
Charges to Appropriation (Outflow):				
Community development	-	68,200	126,102	(57,902)
Transfers out	72,300	104,700	56,710	47,990
Total Charges to Appropriations	72,300	172,900	182,812	(9,912)
Budgetary Fund Balance, June 30	\$ 750,488	\$ 818,598	\$ 715,474	\$ (103,124)

CITY OF WILDOMAR

BUDGETARY COMPARISON SCHEDULE
 SLESF
 YEAR ENDED JUNE 30, 2012

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

CITY OF WILDOMAR

BUDGETARY COMPARISON SCHEDULE
 COUNTY SERVICE AREA
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,115	\$ 19,115	\$ 19,115	\$ -
Resources (Inflows):				
Intergovernmental	-	209,900	201,611	(8,289)
Amounts Available for Appropriation	19,115	229,015	220,726	(8,289)
Charges to Appropriation (Outflow):				
General government	559,000	559,050	237,380	321,670
Total Charges to Appropriations	559,000	559,050	237,380	321,670
Budgetary Fund Balance, June 30	\$ (539,885)	\$ (330,035)	\$ (16,654)	\$ 313,381

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF WILDOMAR



STATISTICAL SECTION

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			
	2012	2011	2010	2009
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 11,725,170	\$ 12,329,670	\$ 13,341,779	\$ 14,841,391
Restricted for:				
Community Development Projects	715,474	780,098	617,689	76,322
Public Works	1,997,091	1,943,203	1,763,914	1,284,148
Cemetery	1,331,920	-	-	-
Unrestricted	(628,995)	(537,891)	(818,416)	(494,416)
Total Governmental Activities Net Assets	\$ 15,140,660	\$ 14,515,080	\$ 14,904,966	\$ 15,707,445
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 11,725,170	\$ 12,329,670	\$ 13,341,779	\$ 14,841,391
Restricted for:				
Community Development Projects	715,474	780,098	617,689	76,322
Public Works	1,997,091	1,943,203	1,763,914	1,284,148
Cemetery	1,331,920	-	-	-
Unrestricted	(628,995)	(537,891)	(818,416)	(494,416)
Total Primary Government Activities Net Assets	\$ 15,140,660	\$ 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			
	2012	2011	2010	2009
EXPENSES				
Governmental Activities:				
General Government	\$ 1,923,733	\$ 2,231,313	\$ 1,798,566	\$ 2,156,911
Public Safety	3,996,420	5,413,023	5,378,962	5,547,480
Community Development	1,253,984	1,069,198	1,786,894	1,501,865
Parks and Recreation	303,190	297,168	341,458	463,746
Public Works	2,551,241	2,371,664	2,741,040	29,440,843
Interest on long-term debt	76,907	73,949	71,105	-
Total Governmental Activities Expenses	\$ 10,105,475	\$ 11,456,315	\$ 12,118,025	\$ 39,110,845
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	\$ 152,978	\$ 359,266	\$ 71,195	\$ 1,633
Public Safety	-	590	-	26,893
Community Development	117,509	205,518	786,747	307,833
Parks and Recreation	4,034	19,040	7,387	-
Public Works	80,018	186,760	-	-
Total Charges for Services	\$ 354,539	\$ 771,174	\$ 865,329	\$ 336,359
Operating Contributions and Grants:				
General Government	\$ 1,563,689	\$ 376,574	\$ 269,235	\$ 237,579
Public Safety	100,000	100,228	100,773	-
Community Development	574,834	721,696	871,513	884,216
Parks and Recreation	24,471	-	-	-
Public Works	2,067,952	1,719,851	2,231,390	1,572,871
Total Operating Contributions and Grants	\$ 4,330,946	\$ 2,918,349	\$ 3,472,911	\$ 2,694,666
Capital Contributions and Grants:				
Public Works	\$ -	\$ -	\$ -	\$ 43,653,393
Interest on long-term debt	-	226,422	-	-
Total Capital Contributions and Grants	\$ -	\$ 226,422	\$ -	\$ 43,653,393
Total Governmental Activities Program Revenue	\$ 4,685,485	\$ 3,915,945	\$ 4,338,240	\$ 46,684,418
TOTAL NET REVENUES (EXPENSES)	\$ (5,419,990)	\$ (7,540,370)	\$ (7,779,785)	\$ 7,573,573

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			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
GENERAL REVENUES AND OTHER CHARGES IN NET ASSETS				
Governmental Activities:				
Taxes:				
Property Taxes, levied for general purpose	\$ 3,307,425	\$ 3,092,037	\$ 2,743,768	\$ 3,589,773
Sales Taxes	1,362,647	1,226,227	1,096,907	1,295,785
Franchise Taxes	749,046	725,775	591,706	520,290
Business Licenses Taxes	12,705	11,506	12,525	6,390
Other Taxes	83,021	76,110	99,456	130,518
Motor Vehicle in Lieu	18,450	1,978,210	2,226,922	2,555,318
Use of Money and Property	12,011	7,737	9,682	20,403
Other	30,943	32,882	84,030	15,395
Contributions from Other Entities	576,456	-	-	-
Total Governmental Activities	<u>\$ 6,152,704</u>	<u>\$ 7,150,484</u>	<u>\$ 6,864,996</u>	<u>\$ 8,133,872</u>
CHANGES IN NET ASSETS	<u>\$ 732,714</u>	<u>\$ (389,886)</u>	<u>\$ (914,789)</u>	<u>\$ 8,133,872</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			
	2012	2011	2010	2009
GENERAL FUND				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	1,044,414	1,276,268
Nonspendable:				
Inventory	-	-	-	-
Prepaid Costs	2,133	59,640	-	-
Deposits	211,752	275,866	-	-
Cemetery Endowment	-	-	-	-
Unassigned:	1,262,279	1,138,893	-	-
Total General Fund	<u>\$ 1,476,164</u>	<u>\$ 1,474,399</u>	<u>\$ 1,044,414</u>	<u>\$ 1,276,268</u>
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:				
Inventory	4,838	-	-	-
Prepaid Costs	220	-	-	-
Deposits	-	-	-	-
Cemetery Endowment	90,000	-	-	-
Restricted for:				
Community development projects	715,474	780,098	-	-
Public works	1,997,091	1,943,203	-	-
Cemetery	1,331,920	-	-	-
Unassigned:	(101,996)	(101,652)	-	-
Total All Other Governmental Funds	<u>\$ 4,037,547</u>	<u>\$ 2,621,649</u>	<u>\$ 2,357,074</u>	<u>\$ 1,353,342</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 Fund Balances of Governmental Funds
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2011	2010	2009
REVENUES				
Taxes	\$ 5,514,844	\$ 5,131,655	\$ 4,544,362	\$ 5,542,756
Licenses and Permits	25,100	29,171	71,195	28,526
Intergovernmental	2,598,557	4,361,487	4,559,085	4,128,189
Charges for Services	119,850	116,552	132,672	82,583
Use of Money and Property	12,011	7,737	9,682	20,403
Fines and Forfeitures	88,216	132,535	111,619	149,272
Contributions	-	-	244,706	237,579
Developer Participation	693,022	970,258	1,437,078	944,472
Miscellaneous	31,233	38,018	84,030	15,395
Total Revenues	\$ 9,082,833	\$ 10,787,413	\$ 11,194,429	\$ 11,149,175
EXPENDITURES				
Current:				
General Government	\$ 1,856,595	\$ 2,176,985	\$ 1,783,766	\$ 2,154,076
Public Safety	3,996,420	5,413,023	5,378,962	5,547,480
Community Development	1,253,984	1,069,198	1,786,894	1,501,865
Parks and Recreation	85,648	79,626	123,916	28,662
Public Works	1,551,441	1,354,021	1,461,323	1,053,337
Capital Outlay	-	-	-	11,765
Total Expenditures	\$ 8,744,088	\$ 10,092,853	\$ 10,534,861	\$ 10,297,185
Over (Under) Expenditures	338,745	694,560	659,568	851,990
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 391,053	\$ 641,766	\$ 249,573	\$ -
Transfers Out	(391,053)	(641,766)	(249,573)	-
Other Debts Issued	-	-	-	1,777,620
Contributions from Other Entities	1,186,052	-	-	-
Total Other Financing Sources (Uses)	\$ 1,186,052	\$ -	\$ -	\$ 1,777,620
Net Change in Fund Balances/ Net Assets	1,524,797	694,560	659,568	2,629,610
Fund Balances, Beginning of Year	4,096,048	3,401,488	2,629,610	-
Restatements	(107,134)	-	112,310	-
Fund Balances, Beginning of Year, as restated	3,988,914	3,401,488	2,741,920	-
Fund Balances, End of Year	\$ 5,513,711	\$ 4,096,048	\$ 3,401,488	\$ 2,629,610
DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES	0.00%	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
2012	1,750,735,442	192,353,249	326,053,258	(5,370,950)	2,263,770,999	0.06572

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 2008-2009 is available.

Source: The HdL Companies

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

Agency	Fiscal Year			
	2012	2011	2010	2009
Basic Levy*	1.00000	1.00000	1.00000	-
Menifee School Debt Svc	0.03486	0.03436	0.03254	-
Metropolitan Water Dist Original Area	0.00370	0.00370	0.00430	-
Perris Union High School Debt Svc	0.03429	0.03126	0.02686	-
Total Direct & Overlapping Tax Rates	1.07285	1.06932	1.06370	-
City's Share of 1% Levy Per Prop 13	0.05800	0.05800	0.05800	
Total Direct Rate	0.65720	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 between 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	Fiscal Year							
	2012				2010			
	Total Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Total Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	
Universal Health Realty Income Trust	\$ 52,839,578	1	2.33%	WNRA Wildomar	\$ 46,638,000	1	1.91%	
WNRA Wildomar	35,470,000	2	1.56%	Universal Health Realty Income Trust	34,228,288	2	1.40%	
LG Oak Creek	31,455,944	3	1.39%	LG Oak Creek	31,295,023	3	1.28%	
Wildomar Industrial Park	19,692,540	4	0.87%	Wildomar Industrial Park	19,591,813	4	0.80%	
Dusk LLC	18,752,298	5	0.83%	First Citizens Bank and Trust	16,957,999	5	0.70%	
MCW RC California Bear Creek Village	13,782,723	6	0.61%	Naples Plaza Limited	16,433,894	6	0.67%	
Inland Valley Medical Partners	13,653,304	7	0.60%	Oak Springs Ranch	15,549,900	7	0.64%	
Stonebridge Medical Center	12,477,693	8	0.55%	MCW RC California Bear Creek Village	13,712,235	8	0.56%	
Beazer Homes Holdings Corporation	11,291,592	9	0.50%	Inland Valley Medical Partners	13,583,460	9	0.56%	
A and S Properties at Clinton Keith	10,610,159	10	0.47%	Stonebridge Medical Center	12,413,863	10	0.51%	
Totals	\$ 220,025,831		9.71%	Totals	\$ 220,404,475		9.03%	

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
2012	3,117,883	\$ 3,307,425	106.1%	3,307,425

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%	59
2011	-	-	-	1,922,674	1,922,674	0.08%	60
2012	-	-	-	1,999,581	1,999,581	0.09%	61

⁽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
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

2011-2012 Assessed Valuation	\$2,268,674,891
Incremental Valuation	90,764,909
Adjusted Assessed Valuation	<u>\$2,177,909,982</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	\$ 196,545,000	0.121%	\$ 237,819
Perris Union High School District	53,032,260	0.312%	165,461
Menifee Union School District	4,493,392	0.505%	226,916
Lake Elsinore Unified School District Community Facilities District No. 89-1 & 90-1	2,285,000	100.000%	2,285,000
Lake Elsinore Unified School District Community Facilities District No. 2004-3	9,400,000	100.000%	9,400,000
Lake Elsinore Unified School District Community Facilities District No. 2005-3 & 7	10,320,000	100.000%	10,320,000
Lake Elsinore Unified School District Community Facilities District No. 2006-3 A & 4	8,975,000	100.000%	8,975,000
Elsinore Valley Municipal Water District Community Facilities Districts	8,655,000	100.000%	8,655,000
Total Overlapping Tax and Assessment Debt			<u>\$ 40,265,196</u>

Ratios to 2011-12 Assessed Valuation
Overlapping Tax and Assessment Debt..... 1.77%

Overlapping General Fund Debt

Riverside County General Funds Obligation	\$ 655,042,180	1.502%	\$ 9,838,734
Riverside County Pension Obligations	357,540,000	1.502%	5,370,251
Riverside County Board of Education Certificates of Participation	5,055,000	1.502%	75,926
Mount San Jacinto Community College District General Funds Obligations	11,950,000	3.978%	475,371
Lake Elsinore Unified School District Certificates of Participation	37,670,000	31.832%	11,991,114
Perris Union High School District General Fund Obligation	30,675	0.312%	95,706
Menifee Union School District Certificates of Participation	5,950,000	0.505%	30,048
Ortega Trail Recreation and Park District Certificates of Participation	75,000	18.330%	13,748
Total Gross Overlapping General Fund Debt			<u>\$ 27,890,898</u>
Less: Riverside County Supported Obligations			<u>186,187</u>
Total Net Overlapping General Fund Debt			\$ 27,704,711

Direct Debt

City Of Wildomar	\$0	100%	\$0
-------------------------	------------	-------------	------------

Total Direct Debt	\$0
Total Gross Overlapping Debt	\$ 6,856,094
Total Net Overlapping Debt	\$ 67,969,907
Gross Combined Total Debt	\$ 68,156,094 (2)
Net Combined Total Debt	\$ 67,969,907

(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	3.13%
Net Combined Total Debt	3.12%

State School Building Aid Repayable as of 6/30/12 \$0

AB: (\$450)

Source: California Municipal Statistics

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

	Fiscal Year			
	2012	2011	2010	2009
Assessed Valuation	\$ 2,263,770,999	\$ 2,312,322,078	\$ 2,434,076,894	\$ -
Debt Limit Percentage	15%	15%	15%	15%
Debt Limit	339,565,650	346,848,312	365,111,534	-
Total Net Debt Applicable to Limit General Obligation Bonds:	-	-	-	-
Legal Debt Margin	<u>\$ 339,565,650</u>	<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%	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
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%
2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Information for 2012 is unavailable.

Source: The HdL Companies, California Employment Development Department

CITY OF WILDOMAR
Principal Employers

Employer	Fiscal Year					
	2012			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Inland Valley Medical Center		N/A		600	1	17.36%
Lake Elsinore Unified School District		N/A		430	2	12.44%
FCP INC		N/A		150	3	4.34%
Stater Bros Markets		N/A		100	4	2.89%
P K Mechanical Systems		N/A		85	5	2.46%
Albertson's		N/A		80	6	2.31%
Jack in the Box		N/A		60	7	1.74%
Coldwell Banker		N/A		56	8	1.62%
McDonald's		N/A		50	9	1.45%
Cornerstone Community Church & School		N/A		45	10	1.30%
Southern California Edison		N/A				
Total of Top Employers	N/A		N/A	1656		47.91%

(1) Principal Employers Report is unavailable for fiscal year 2011-2012 due to unreliable data.

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

Source: The HdL Companies

CITY OF WILDOMAR
Full-Time Equivalent City Government Employees by Function/Program
As of June 30, 2012

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
City Manager				
Full- Time Equiv	1	1	1	0
City Clerk				
Full- Time Equiv	1	1	1	0
Administrative Services				
Full- Time Equiv	2	1	1	0
Community Development				
Full- Time Equiv	0	0	0	0
Engineering/ Pub. Works				
Full- Time Equiv	0	0	0	0
Building/Safety				
Full- Time Equiv	1	0	0	0
Community Services				
Full- Time Equiv	0	0	0	0
Cemetery				
Full- Time Equiv	2	0	0	0
TOTAL	<u>7</u>	<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 and 2010-2011. 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 2008-2009 is available.

Source: City Finance Department

CITY OF WILDOMAR
Operating Indicators by Function/ Program

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Police Services				
Calls for Service	12,451	14,797	8,740	8,684
DUI Arrests	40	80	53	78
Traffic Citations	474	1052	233	1267
Public Works				
Street Resurfacing	43,200	0	0	N/A
Right of Way Clearing (Square Feet)	64,500	30,119	21,600	N/A
Traffic Signs Installed	69	41	78	N/A
Drain Inlets Cleaned	278	278	300	N/A
Building & Safety				
Building Permits Issued	130	132	151	232
Building Inspections Completed	2,904	2,626	4,032	N/A
Community Development				
Planning Applications Completed	29	24	50	39
Community Services				
Community Events Attendance	1,700	3,000	13,000	6,630
Cemetery				
Burial Services	14	0	0	0

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

Source: City Finance Department, City Community Development Department, City Building Department, Riverside County Sheriff's Department, City Public Works Department, Cemetery

CITY OF WILDOMAR
Capital Asset Statistics by Function/Program

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Public Works				
Streets (miles)				
Paved - Public	121.1	121.1	112	N/A
Paved - Private	9.1	9.1		
Unpaved - Public	6.4	6.4	6	N/A
Unpaved - Private	47.1	47.1		
Traffic Signals	23.3	23.3	19	N/A
Community Services				
Parks	3	3	3	3
Park Acreage	13.88	13.88	13.88	13.88
Cemetery	1	0	0	0

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

Source: City Public Works Department, Community Services Department

CITY OF WILDOMAR
Miscellaneous Statistics
As of June 30, 2012

Geographic Location	Wildomar is located along Interstate 15 in Riverside County.
Population	32,719
Area in Square Miles	24
Form of Government	Council-Manager
Date of Incorporation	July, 1 2008
Number of Full Time Employees	7
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 and California Department of Finance
Population as of 2011, 2012 data is unavailable.

THIS PAGE INTENTIONALLY LEFT BLANK