



CITY OF WILDOMAR, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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FINANCIAL STATEMENTS
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FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the 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 (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Gas Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented a management's discussion and analysis, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combined and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combined and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Solt & Lughard, LLP

March 1, 2010

CITY OF WILDOMAR

STATEMENT OF NET ASSETS
 JUNE 30, 2009

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash and investments	\$ 2,759,508
Receivables:	
Accounts, grants, and taxes receivable	968,259
Accrued interest	5,671
Deposits	188,326
Capital assets not being depreciated	841,489
Capital assets, net of depreciation	<u>13,999,902</u>
Total Assets	<u>18,763,155</u>
Liabilities:	
Accounts payable and accrued liabilities	416,477
Unearned revenue	449,898
Deposits payable	410,057
Noncurrent liabilities:	
Due in more than one year	<u>1,779,278</u>
Total Liabilities	<u>3,055,710</u>
Net Assets:	
Invested in capital assets, net of related debt	14,841,391
Restricted for:	
Community development projects	76,322
Public works	1,284,148
Unrestricted	<u>(494,416)</u>
Total Net Assets	<u>\$ 15,707,445</u>

CITY OF WILDOMAR

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	(Expenses)
					Revenues and Changes in Net Assets
Governmental Activities					Governmental Activities
Governmental Activities:					
General government	\$ 2,156,911	\$ 1,633	\$ 237,579	\$ -	\$ (1,917,699)
Public safety	5,547,480	26,893	-	-	(5,520,587)
Community development	1,501,865	307,833	884,216	-	(309,816)
Parks and recreation	463,746	-	-	-	(463,746)
Public works	29,440,843	-	1,572,871	43,653,393	15,785,421
Total Governmental Activities	39,110,845	336,359	2,694,666	43,653,393	7,573,573
Total Primary Government	\$ 39,110,845	\$ 336,359	\$ 2,694,666	\$ 43,653,393	7,573,573
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					3,589,773
Sales taxes					1,295,785
Franchise taxes					520,290
Business licenses taxes					6,390
Other taxes					130,518
Motor vehicle in lieu - unrestricted					2,555,318
Use of money and property					20,403
Other					15,395
Total General Revenues					8,133,872
Change in Net Assets					15,707,445
Net Assets at End of Year					\$ 15,707,445

CITY OF WILDOMAR

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>
	<u>General</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>County Service Area</u>
Assets:				
Pooled cash and investments	\$ 1,600,043	\$ 411,015	\$ -	\$ 449,898
Receivables:				
Accounts, grants, and taxes	287,903	58,291	546,084	-
Accrued interest	439	1,847	-	2,040
Deposits	188,326	-	-	-
Total Assets	<u>\$ 2,076,711</u>	<u>\$ 471,153</u>	<u>\$ 546,084</u>	<u>\$ 451,938</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 374,664	\$ 32,645	\$ -	\$ 9,168
Deferred revenues	15,722	-	-	-
Unearned revenues	-	-	-	449,898
Deposits payable	410,057	-	-	-
Total Liabilities	<u>800,443</u>	<u>32,645</u>	<u>-</u>	<u>459,066</u>
Fund Balances:				
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	-	-
Undesignated	1,276,268	438,508	546,084	(7,128)
Total Fund Balances	<u>1,276,268</u>	<u>438,508</u>	<u>546,084</u>	<u>(7,128)</u>
Total Liabilities and Fund Balances	<u>\$ 2,076,711</u>	<u>\$ 471,153</u>	<u>\$ 546,084</u>	<u>\$ 451,938</u>

CITY OF WILDOMAR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Pooled cash and investments	\$ 298,552	\$ 2,759,508
Receivables:		
Accounts, grants, and taxes	75,981	968,259
Accrued interest	1,345	5,671
Deposits	-	188,326
Total Assets	\$ 375,878	\$ 3,921,764
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 416,477
Deferred revenues	-	15,722
Unearned revenues	-	449,898
Deposits payable	-	410,057
Total Liabilities	-	1,292,154
Fund Balances:		
Unreserved:		
Unreserved, reported in nonmajor:		
Special revenue funds	375,878	375,878
Undesignated	-	2,253,732
Total Fund Balances	375,878	2,629,610
Total Liabilities and Fund Balances	\$ 375,878	\$ 3,921,764

CITY OF WILDOMAR

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Fund balances of governmental funds	\$ 2,629,610
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.	14,841,391
Long-term debt has not been included in the governmental fund activity: Loan from County	(1,777,620)
Compensated absences that have not been included in the governmental fund activity.	(1,658)
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>15,722</u>
Net assets of governmental activities	<u><u>\$ 15,707,445</u></u>

CITY OF WILDOMAR

STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			Capital Projects Funds
	General	Gas Tax	Measure A	County Service Area
Revenues:				
Taxes	\$ 5,542,756	\$ -	\$ -	\$ -
Licenses and permits	28,526	-	-	-
Intergovernmental	2,555,318	730,145	546,084	-
Charges for services	82,583	-	-	-
Use of money and property	3,558	11,547	-	2,040
Fines and forfeitures	149,272	-	-	-
Contributions	237,579	-	-	-
Developer participation	868,494	-	-	-
Miscellaneous	15,395	-	-	-
Total Revenues	9,483,481	741,692	546,084	2,040
Expenditures:				
Current:				
General government	2,154,076	-	-	-
Public safety	5,547,480	-	-	-
Community development	1,501,865	-	-	-
Parks and recreation	19,494	-	-	9,168
Public works	366,910	686,427	-	-
Capital outlay	11,765	-	-	-
Total Expenditures	9,601,590	686,427	-	9,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,109)	55,265	546,084	(7,128)
Other Financing Sources (Uses):				
Other debts issued	1,394,377	383,243	-	-
Total Other Financing Sources (Uses)	1,394,377	383,243	-	-
Net Change in Fund Balances	1,276,268	438,508	546,084	(7,128)
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ 1,276,268	\$ 438,508	\$ 546,084	\$ (7,128)

CITY OF WILDOMAR

**STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	\$ -	\$ 5,542,756
Licenses and permits	-	28,526
Intergovernmental	296,642	4,128,189
Charges for services	-	82,583
Use of money and property	3,258	20,403
Fines and forfeitures	-	149,272
Contributions	-	237,579
Developer participation	75,978	944,472
Miscellaneous	-	15,395
Total Revenues	375,878	11,149,175
Expenditures:		
Current:		
General government	-	2,154,076
Public safety	-	5,547,480
Community development	-	1,501,865
Parks and recreation	-	28,662
Public works	-	1,053,337
Capital outlay	-	11,765
Total Expenditures	-	10,297,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	375,878	851,990
Other Financing Sources (Uses):		
Other debts issued	-	1,777,620
Total Other Financing Sources (Uses)	-	1,777,620
Net Change in Fund Balances	375,878	2,629,610
Fund Balances, Beginning of Year	-	-
Fund Balances, End of Year	\$ 375,878	\$ 2,629,610

CITY OF WILDOMAR

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2009**

Net change in fund balances - total governmental funds \$ 2,629,610

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. 14,841,391

The issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. (1,777,620)

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. (1,658)

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. 15,722

Change in net assets of governmental activities \$ 15,707,445

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	5,038,019	5,627,819	5,542,756	(85,063)
Licenses and permits	900	29,800	28,526	(1,274)
Intergovernmental	2,559,000	2,559,000	2,555,318	(3,682)
Charges for services	-	86,800	82,583	(4,217)
Use of money and property	46,380	12,000	3,558	(8,442)
Fines and forfeitures	-	121,000	149,272	28,272
Contributions	237,579	237,579	237,579	-
Developer participation	659,675	600,000	868,494	268,494
Miscellaneous	68,965	2,900	15,395	12,495
Transfers in	11,718	-	-	-
Other debts issued	-	-	1,394,377	1,394,377
Amounts Available for Appropriation	8,622,236	9,276,898	10,877,858	1,600,960
Charges to Appropriation (Outflow):				
General government				
City Council	58,600	142,000	112,414	29,586
City Manager	304,725	616,000	609,146	6,854
City Clerk	120,960	156,000	182,307	(26,307)
City Attorney	207,500	450,000	451,430	(1,430)
Finance	152,455	323,500	301,464	22,036
Non-departmental	417,575	478,600	497,315	(18,715)
Public safety				
Police	3,932,348	3,932,348	3,983,519	(51,171)
Fire	1,834,683	1,834,683	1,412,650	422,033
Animal control	100,000	100,000	151,311	(51,311)
Community development				
Community development	111,060	1,451,600	1,373,356	78,244
Building and safety	-	-	6,765	(6,765)
Planning	-	-	75,768	(75,768)
Code enforcement	-	-	45,976	(45,976)
Parks and recreation				
Parks and recreation	-	-	19,494	(19,494)
Public works				
Engineering/public works	316,090	458,000	366,910	91,090
Capital outlay	50,500	7,000	11,765	(4,765)
Total Charges to Appropriations	7,606,496	9,949,731	9,601,590	348,141
Budgetary Fund Balance, June 30	\$ 1,015,740	\$ (672,833)	\$ 1,276,268	\$ 1,949,101

CITY OF WILDOMAR

**BUDGETARY COMPARISON STATEMENT
GAS TAX
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,288,818	936,000	730,145	(205,855)
Use of money and property	28,277	5,000	11,547	6,547
Developer participation	1,101,513	-	-	-
Other debts issued	-	-	383,243	383,243
Amounts Available for Appropriation	2,418,608	941,000	1,124,935	183,935
Charges to Appropriation (Outflow):				
Public works	-	630,000	686,427	(56,427)
Transfers out	11,718	80,000	-	80,000
Total Charges to Appropriations	11,718	710,000	686,427	23,573
Budgetary Fund Balance, June 30	\$ 2,406,890	\$ 231,000	\$ 438,508	\$ 207,508

CITY OF WILDOMAR

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

b. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The fiduciary funds are reported on the accrual basis of accounting. Major individual governmental funds are reported as separate columns in the fund financial statements. As of June 30, 2009, the City does not have any fiduciary funds.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**City of Wildomar
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of gas tax which is 120 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 operations for road construction, including highways. Receipts are tendered from the County of Riverside after collections of sales taxes are obtained.

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

Investments are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's

City of Wildomar
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government, as well as its component units, are depreciated using the straight-line, half-year convention method over the following estimated useful lives:

<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

City of Wildomar
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

**City of Wildomar
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$14,841,391 difference are as follows:

Capital outlay	\$ 11,765
Depreciation expense	(1,498,436)
Transfer of infrastructure from County	<u>16,328,062</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 14,841,391</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net assets.

The details of this (\$1,777,620) difference are as follows:

Debt issued or incurred:	
Issuance of county loan payable	<u>\$ (1,777,620)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,777,620)</u>

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.

**City of Wildomar
Notes to Financial Statements (Continued)**

Note 2: Stewardship, Compliance and Accountability (Continued)

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They 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).

Budgets were not adopted for, the Measure A Fund, the Development Impact Fees Fund and the Community Service Areas Fund.

b. Excess of Expenditures over Appropriations

The General Fund had excess expenditures over appropriations as follows:

Department	Expenditures	Appropriations	Excess
General government			
City Clerk	\$ 182,307	\$ 156,000	\$ 26,307
City Attorney	451,430	450,000	1,430
Non-Departmental	497,315	478,600	18,715
Public safety			
Police	3,989,519	3,932,348	57,171
Animal Control	151,311	100,000	51,311
Community Development			
Building & Safety	6,765	-	6,765
Planning	75,768	-	75,768
Code Enforcement	45,976	-	45,976
Parks and recreation			
Parks and recreation	19,494	-	19,494

These deficits were offset by the other department budget under runs. The overall expenditures for the General Fund was \$348,141 less than the budget amount.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2009, cash and investments were reported in the accompanying financial statements as follows:

Governmental Activities	<u>\$ 2,759,508</u>
Total Cash and Investments	<u><u>\$ 2,759,508</u></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.

City of Wildomar
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

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

Deposits

At June 30, 2009, the carrying amount of the City's deposits was \$1,250,777 and the bank balance was \$1,266,750. The \$15,973 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.

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,

**City of Wildomar
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments (Continued)

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 investment or collateral securities that are in the possession of an outside party.

As of June 30, 2009, 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.

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, 2009, the City had the following investments and remaining maturities:

	Investment Maturities (in Years)	Fair Value
	<u>Less Than 1</u>	<u>Value</u>
California Local Agency Investment Fund	<u>\$ 1,508,731</u>	<u>\$ 1,508,731</u>

City of Wildomar
Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 713,489 *	\$ -	\$ 713,489
Right-of-way	-	128,000 *	-	128,000
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>841,489</u>	<u>-</u>	<u>841,489</u>
Capital assets, being depreciated:				
Buildings and improvements	-	6,526,256 *	-	6,526,256
Furniture, fixtures and equipment	-	11,765	-	11,765
Infrastructure	-	36,285,648 *	-	36,285,648
Total Capital Assets, Being Depreciated	<u>-</u>	<u>42,823,669</u>	<u>-</u>	<u>42,823,669</u>
Less accumulated depreciation:				
Buildings and improvements	-	435,084 *	-	435,084
Furniture, fixtures and equipment	-	1,177	-	1,177
Infrastructure	-	28,387,506 *	-	28,387,506
Total Accumulated Depreciation	<u>-</u>	<u>28,823,767</u>	<u>-</u>	<u>28,823,767</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>13,999,902</u>	<u>-</u>	<u>13,999,902</u>
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 14,841,391</u>	<u>\$ -</u>	<u>\$ 14,841,391</u>

* Land, right-of-way, buildings and improvements, and infrastructure assets having a net book value of \$16,328,062 were contributed to the City by the County of Riverside upon incorporation.

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

Governmental Activities:	
General government	\$ 1,177
Parks and recreation	217,542
Public works	<u>1,279,717</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,498,436</u>

City of Wildomar
Notes to Financial Statements (Continued)

Note 5: Deposits Receivable

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

	<u>Gross Receivable</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivable</u>
Deposits Receivable	\$ 271,574	\$ (83,248)	\$ 188,326

Note 6: Long-Term Liabilities

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Loan from County	\$ -	\$ 1,777,620	\$ -	\$ 1,777,620	\$ -
Compensated absences	-	1,658	-	1,658	-
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 1,779,278</u>	<u>\$ -</u>	<u>\$ 1,779,278</u>	<u>\$ -</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, 2008 through June 30, 2009). 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 original loan amount and balance at June 30, 2009, is \$1,777,260.

Note 7: Pension Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

Funding Policy

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

**City of Wildomar
Notes to Financial Statements (Continued)**

Note 7: Pension Plan (Continued)

Annual Pension Cost

For fiscal year 2008-2009, the City's annual pension cost of \$1,582 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the October 31, 2008, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 1,582	100%	\$ -

*Information for the two proceeding years is not available because the City became a member during the fiscal year ended June 30, 2009.

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 8: Risk Management

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

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

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

The PARSAC will publish its own financial report for the year ended June 30, 2009, which can be obtained from Public Agency Risk Sharing Authority of California, Sacramento, California.

**City of Wildomar
Notes to Financial Statements (Continued)**

Note 8: Risk Management (Continued)

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, 2009, the City did not have any significant claims liability; therefore, no accrual was required.

Note 9: Contingencies

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2009-2010	\$ 244,706
2010-2011	252,048
2011-2012	259,609
2012-2013	267,397
2013-2014	275,419
2014-2015	283,682
2015-2016	292,192
2016-2017	300,958
2017-2018	<u>309,987</u>
Total	<u>\$ 2,485,998</u>

Due to the uncertainty of the amount to be paid, these revenues will be recognized when received.

Note 10: Subsequent Events

County Service Areas

Effective July 1, 2009, the City took over operations for various County Service Areas located within City limits. Along with the operations, the City will begin collecting the special tax revenues associated with the service areas. As a part of the transition, the County of Riverside transferred \$449,898 in fees and special taxes that had been collected through June 30, 2009, to be used in operating these service areas. The cash was transferred on June 30, 2009, and has been recorded as unearned revenue in the accompanying financial statements since the City did not take over operations until July 1, 2009.

CITY OF WILDOMAR

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds			Total Governmental Funds
	Air Quality Management District	Traffic Congestion Relief	Development Impact Fees	
Assets:				
Pooled cash and investments	\$ 23,044	\$ 199,530	\$ 75,978	\$ 298,552
Receivables:				
Accounts, grants, and taxes	12,863	63,118	-	75,981
Accrued interest	104	897	344	1,345
Total Assets	\$ 36,011	\$ 263,545	\$ 76,322	\$ 375,878
Fund Balances:				
Undesignated	\$ 36,011	\$ 263,545	\$ 76,322	\$ 375,878
Total Fund Balances	36,011	263,545	76,322	375,878
Total Liabilities and Fund Balances	\$ 36,011	\$ 263,545	\$ 76,322	\$ 375,878

CITY OF WILDOMAR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			Total Governmental Funds
	Air Quality Management District	Traffic Congestion Relief	Development Impact Fees	
Revenues:				
Intergovernmental	\$ 35,773	\$ 260,869	\$ -	\$ 296,642
Use of money and property	238	2,676	344	3,258
Developer participation	-	-	75,978	75,978
Total Revenues	36,011	263,545	76,322	375,878
Net Change in Fund Balances	36,011	263,545	76,322	375,878
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ 36,011	\$ 263,545	\$ 76,322	\$ 375,878

CITY OF WILDOMAR

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT DISTRICT
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	21,000	35,773	14,773
Use of money and property	-	100	238	138
Amounts Available for Appropriation	-	21,100	36,011	14,911
Charges to Appropriation (Outflow):				
Transfers out	-	1,100	-	1,100
Total Charges to Appropriations	-	1,100	-	1,100
Budgetary Fund Balance, June 30	\$ -	\$ 20,000	\$ 36,011	\$ 16,011

CITY OF WILDOMAR

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC CONGESTION RELIEF
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	137,930	232,208	260,869	28,661
Use of money and property	-	1,500	2,676	1,176
Amounts Available for Appropriation	137,930	233,708	263,545	29,837
Charges to Appropriation (Outflow):				
Transfers out	-	11,600	-	11,600
Total Charges to Appropriations	-	11,600	-	11,600
Budgetary Fund Balance, June 30	\$ 137,930	\$ 222,108	\$ 263,545	\$ 41,437