

**CITY OF CANYON LAKE,
CALIFORNIA**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

City of Canyon Lake
Annual Financial Report
June 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake, California, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 23, 2013. 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.

Internal Control Over Financial Reporting

Management of City of Canyon Lake, California, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

This report is intended solely for the information and use of management, the audit committee, the City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Luykhard, LLP

Brea, California
January 23, 2013



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January 23, 2013

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake (the City) for the year ended June 30, 2012, and have issued our report thereon dated January 23, 2013. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California
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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 23, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and *Government Auditing Standards*, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2011-2012 audit:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* – The City was not affected by this pronouncement at this time.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53* – The City was not affected by this pronouncement at this time.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California
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The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2012-2013 audit and should be reviewed for proper implementation by management:

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

GASB Statement No. 61, The Financial Reporting Entity: Omnibus-an amendment of GASB Statement 14 and 34

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This information is intended solely for the use of the members of the City Council or individual(s) charged with governance and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Brea, California

- David E. Hale, CPA, CFP
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Canyon Lake, 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 Canyon Lake (City), 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 Canyon Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, thereof 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 January 23, 2013, on our consideration of the City of Canyon Lake, 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 and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Honorable Mayor and Members of City Council
City Canyon Lake, California

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

Lance, Soll & Lughard, LLP

Brea, California
January 23, 2013

Management's Discussion and Analysis

As management of the City of Canyon Lake, California (City), we are pleased to offer to the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of fiscal year 2012 by \$9,031,212. The difference between assets and liabilities is referred to as net assets.
- The City's total net assets increased by \$2,479,682 during fiscal year 2011-2012.
- As of June 30, 2012, the City's governmental funds reported combined fund balances of \$4,068,761, a decrease of \$491,645 from the prior fiscal year, and \$1,545,188 of the governmental funds' fund balances are assigned and unassigned.
- As of June 30, 2012, assigned and unassigned fund balances for the General Fund was \$1,545,188, or 42.8 percent of total General Fund expenditures.
- The City's total debt decreased by \$141,294 during the fiscal year as a result of principal payments made during the year and the changes in compensated absences payable.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Canyon Lake's basic financial statements. The City's 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: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner that is similar to a private-sector business.

Government-wide financial statements include a statement of net assets and a statement of activities. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

The *statement of activities* provides information showing how the City's net assets changed during the most recent fiscal year. These changes are reported using the full accrual basis of accounting that is when the economic event occurs, rather than when cash is received or paid. Under this basis of accounting, revenues and expenses are reported in the statement for some items that will only result in future cash inflows or outflows such as vacation earned but not paid and uncollected taxes.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, economic development, building and planning, animal control, and public works. The City does not have any business-type activities.

The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund and Capital Projects Fund in order to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13 - 16 of this report.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 17 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 on pages 18 - 36 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI), which includes the budgetary comparison schedules for the General Fund and the Capital Projects Fund, which can be found on pages 37 and 38 respectively.

Combining statements for nonmajor governmental funds are presented immediately following the required supplementary information. Combining financial statements and schedules can be found on pages 40 - 43 of this report.

Government-wide financial analysis

As noted earlier, net assets may, over time, serve as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2012, the City's assets exceeded its liabilities by \$9,031,212 as summarized below:

Statement of Net Assets

	Governmental Activities	
	2012	2011
Assets:		
Current and other assets	\$ 4,946,161	\$ 5,502,212
Capital assets (net of depreciation)	5,579,992	2,893,526
Total assets	<u>10,526,153</u>	<u>8,395,738</u>
Liabilities:		
Current and other liabilities	880,348	1,087,073
Long-term liabilities	614,593	757,135
Total liabilities	<u>1,494,941</u>	<u>1,844,208</u>
Net assets:		
Invested in capital assets, net of related debt	5,040,039	2,312,363
Restricted	658,894	796,955
Unrestricted	3,332,279	3,442,212
Total net assets	<u>\$ 9,031,212</u>	<u>\$ 6,551,530</u>

The City's net assets only include infrastructure assets such as roads, streets, lighting systems, drainage systems, bridges, etc. that were added in the fiscal years ending June 30, 2004 through 2012. Historically, the City has not recorded these assets. Under GASB 34, the City has elected not to retroactively include the value of major infrastructure assets in the statement of net assets.

Excluding the unknown value of infrastructure assets, investments in capital assets net of related debt represents 55.8 percent of the City net assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net assets, \$658,894 or 7.3 percent, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net assets), is \$3,332,279.

Statement of Activities: The statement of activities shows how the City's net assets changed during the fiscal years 2011-12 and 2010-11. Provided below is a summary of changes in net assets.

Statement of Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 170,177	\$ 194,736
Operating grants and contributions	879,177	595,318
Capital grants and contributions	2,642,449	383,743
General revenues	2,776,599	2,884,996
Total revenues	<u>6,468,402</u>	<u>4,058,793</u>
Expenses:		
General government	687,260	782,315
Public safety	2,887,560	3,128,625
Public works	268,360	835,815
Community development	120,540	144,133
Interest on long-term debt	25,000	28,578
Total expenses	<u>3,988,720</u>	<u>4,919,466</u>
Change in net assets	2,479,682	(860,673)
Net assets - beginning	6,551,530	7,412,203
Net assets - ending	<u>\$ 9,031,212</u>	<u>\$ 6,551,530</u>

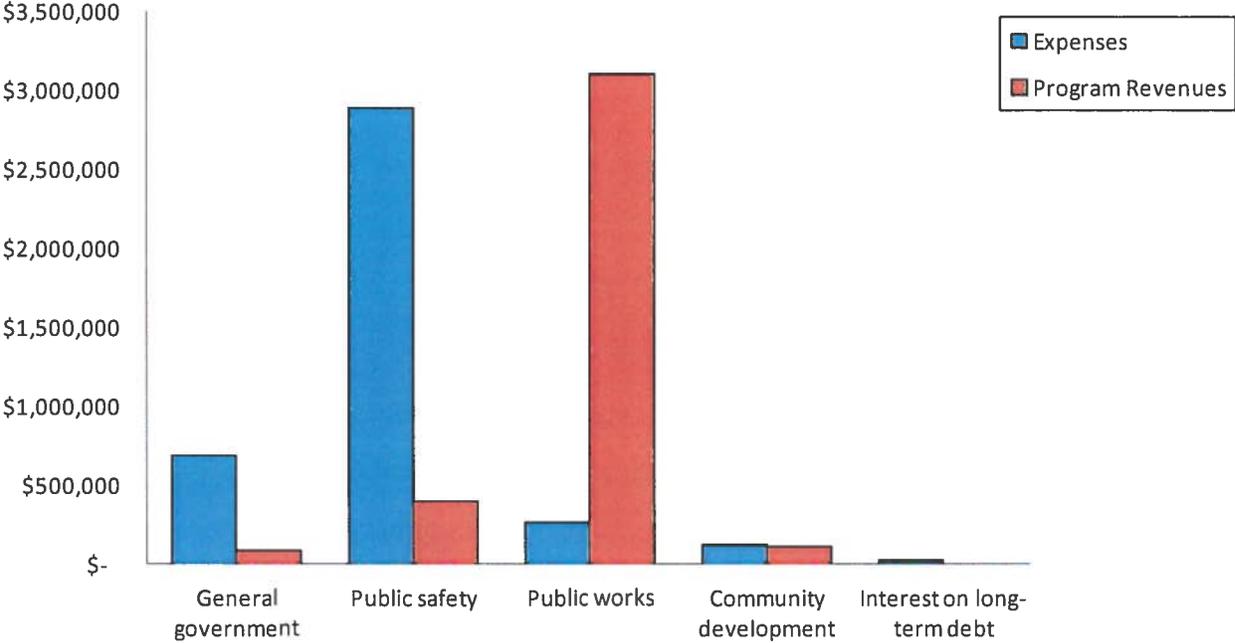
The City's net assets increased overall by \$2,479,682 during the current fiscal year. The reason for the increase is explained in the governmental activities discussion below.

Governmental activities: Net assets from governmental activities assets increased by \$2,479,682. Key element of the increase is as follows:

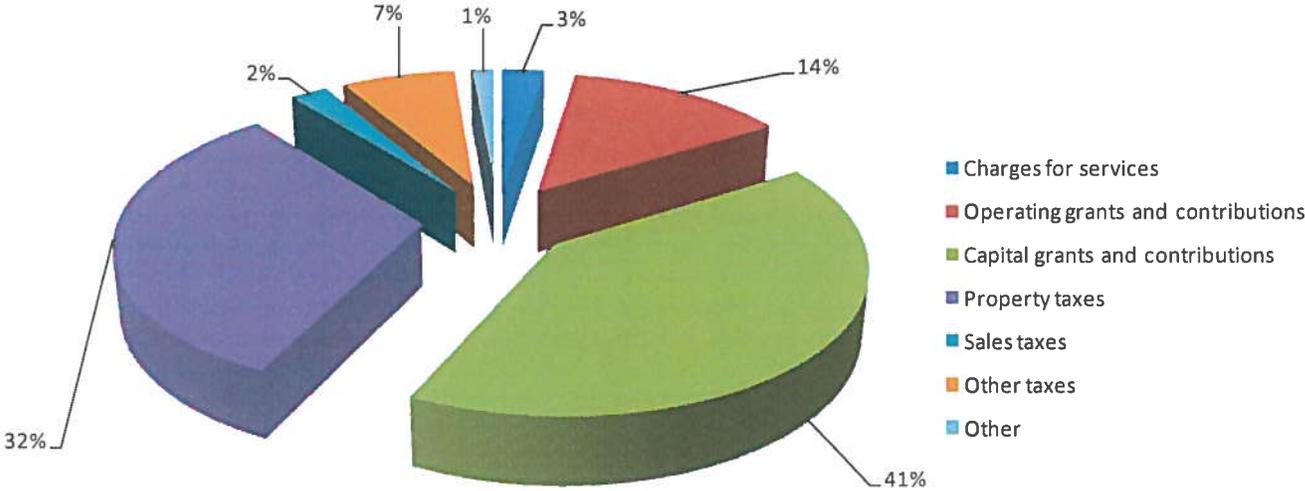
- Capital grants and contributions significantly increased due to the Railroad Canyon Road project being funded by the Transportation Uniform Mitigation Fee (TUMF) program operated by Western Riverside Council of Governments (WRCOG).

The charts below provide graphic representation of the City's expenses compared to program revenues by function and its revenue by source.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



The governmental activities expenses and program revenues chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to each function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable to specific functions and are therefore used to support program activities citywide. Regarding the revenues by source chart, it shows that 41 percent of governmental activities revenues came from capital grants and contributions, which has increased by 32 percent from the previous fiscal year.

Financial Analysis of City's Funds

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

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Please refer to pages 13 - 16 for more detail on governmental funds.

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$4,068,761, a decrease of \$491,645 in comparison with the prior year. Of the \$4,068,761, \$1,545,188 or 38.0 percent constitutes assigned and unassigned fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending or constraints are placed on the use of resources, respectively. The decrease in governmental fund balance is due to a decrease in the fund balance of the General Fund of \$353,000 as a result of increased fire protection costs and a decrease in fund balance of the Capital Projects Fund Major Governmental Fund of \$107,670, due to the timing of the revenue recognition of the TUMF Program reimbursements.

General Fund Financial and Budgetary Highlights

The General Fund is the chief operating fund of the City. At June 30, 2012, assigned and unassigned fund balance was \$1,545,188. As a measure of the General Fund's financial condition, it may be useful to compare the unassigned fund balance to total expenditures. Assigned and unassigned fund balances represent 42.8 percent of General Fund expenditures. For the fiscal year, the General Fund's fund balance decreased \$353,000 from the prior year. The differences between the General Fund budget and actual are summarized below:

- General Fund actual revenues were below budget by \$153,939 mainly due to lower than anticipated property taxes, interest earnings, fines and forfeitures and grant revenues.
- Actual expenditures were \$7,692 less than the budgeted amount of \$3,621,653, with only Public Safety being more than anticipated. This increase in expenditures was offset by decreased expenditures for the other functions of the City, namely the General Government and Public Works functions.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental type activities as of June 30, 2012, amounted to \$5,579,992 (net of accumulated depreciation). This investment in capital assets includes only additions to infrastructure that were added beginning with fiscal year 2003-04, and includes land, buildings, improvements and equipment. During the year, \$2,837,945 of capital assets were added for the governmental activities.

Major capital assets events during the current fiscal year included the following:

- Retrofitting of city lighting \$44,400
- Construction in progress for structural repairs to Railroad Canyon Road \$2,788,695.

Additional information on the City's capital assets can be found on page 31 in the notes to the basic financial statements and a summary is provided below.

City of Canyon Lake Capital Assets (net of depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 130,000	\$ 130,000
Building and improvements	560,701	537,659
Machinery, equipment and vehicles	116,026	162,378
Infrastructure	945,618	1,024,537
Construction in progress	3,827,647	1,038,952
Total	<u>\$ 5,579,992</u>	<u>\$ 2,893,526</u>

Long-term debt: At the end of fiscal year 2012, the City's total long-term debt outstanding was \$759,233. This amount was comprised of \$210,000 of certificates of participation which are secured by future revenue sources of the Gas Tax Fund, \$539,953 in loans from Riverside County which are secured by several different sources of revenues, and \$9,280 in compensated absences.

Outstanding long-term debt of the City is summarized below, and additional information can be found on pages 32 - 33 in the notes to basic financial statements.

City of Canyon Lake Outstanding Long-Term Debt

	Governmental Activities	
	2012	2011
Compensated absences	\$ 9,280	\$ 14,364
Certificates of participation	210,000	305,000
Loan payable County of Riverside	539,953	581,163
Total long-term debt	<u>\$ 759,233</u>	<u>\$ 900,527</u>

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for fiscal year 2012-13, management looked at the possible impact to the City's revenue due to the State of California's budget deficit and continued economic downturn.

The Operating Budget for fiscal year 2012-13 anticipates using \$360,918 of the General Fund fund balance reserve.

- Anticipated General Fund Revenues of \$3,216,580, an increase of approximately 1.00 percent from the previous year.
- Proposed General Fund Expenditures of \$3,577,498, an increase of approximately 11.91 percent, or \$380,845 above the previous year.

Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the annual budget preparation, can be obtained from the City's 2012-13 Budget which is available at City Hall.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the City Clerk, City of Canyon Lake, 31516 Railroad Canyon Road, Canyon Lake, California 92587, or call (951) 244-2955.

**City of Canyon Lake
Statement of Net Assets
June 30, 2012**

ASSETS

Cash and investments	\$ 3,678,857
Receivables:	
Accounts	61,051
Interest	15,894
Intergovernmental	1,067,154
Prepaid items	2,760
Restricted assets:	
Cash and investments with fiscal agent	120,445
Capital assets, net of accumulated depreciation	<u>5,579,992</u>
 Total assets	 <u>10,526,153</u>

LIABILITIES

Accounts payable and accrued liabilities	734,417
Interest payable	1,291
Noncurrent liabilities:	
Due within one year	144,640
Due in more than one year	<u>614,593</u>
 Total liabilities	 <u>1,494,941</u>

NET ASSETS

Invested in capital assets, net of related debt	5,040,039
Restricted:	
Public works	493,025
Community development	37,721
Capital projects	8,994
Debt service	119,154
Unrestricted	<u>3,332,279</u>
 Total net assets	 <u><u>\$ 9,031,212</u></u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Statement of Activities
For the Year Ended June 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 687,260	\$ 39,033	\$ -	\$ 48,020	\$ (600,207)
Public safety	2,887,560	28,791	365,775	-	(2,492,994)
Public works	268,360	-	513,402	2,594,375	2,839,417
Community development	120,540	102,353	-	54	(18,133)
Interest on long-term debt	25,000	-	-	-	(25,000)
Total governmental activities	\$ 3,988,720	\$ 170,177	\$ 879,177	\$ 2,642,449	(296,917)

General revenues:

Taxes	
Property tax, levied for general purpose	2,078,555
Transient occupancy tax	35,281
Franchise tax	306,879
Sales tax	150,698
Other taxes	116,447
Use of money and property	12,526
Other	76,818
Loss on disposal of assets	(605)
Total general revenues	2,776,599
Change in net assets	2,479,682
Net assets, beginning of year	6,551,530
Net assets, end of year	\$ 9,031,212

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Balance Sheet
Governmental Funds
June 30, 2012**

	General	Capital Projects Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,177,951	\$ -	\$ 500,906	\$ 3,678,857
Cash with fiscal agent	-	-	120,445	120,445
Receivables:				
Accounts	61,051	-	-	61,051
Interest	15,894	-	-	15,894
Intergovernmental	126,566	851,724	88,864	1,067,154
Prepaid items	2,760	-	-	2,760
Due from other funds	475,079	-	-	475,079
Total assets	<u>\$ 3,859,301</u>	<u>\$ 851,724</u>	<u>\$ 710,215</u>	<u>\$ 5,421,240</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 504,373	\$ 208,802	\$ 21,242	\$ 734,417
Due to other funds	-	459,726	15,353	475,079
Deferred revenues	-	142,983	-	142,983
Total liabilities	<u>504,373</u>	<u>811,511</u>	<u>36,595</u>	<u>1,352,479</u>
Fund Balances:				
Nonspendable	2,760	-	-	2,760
Restricted	-	40,213	673,620	713,833
Committed	1,806,980	-	-	1,806,980
Assigned	75,000	-	-	75,000
Unassigned	1,470,188	-	-	1,470,188
Total fund balances	<u>3,354,928</u>	<u>40,213</u>	<u>673,620</u>	<u>4,068,761</u>
Total liabilities and fund balances	<u>\$ 3,859,301</u>	<u>\$ 851,724</u>	<u>\$ 710,215</u>	<u>\$ 5,421,240</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets
 June 30, 2012**

Fund balances of governmental funds \$ 4,068,761

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and , therefore, are not reported in the funds. 5,579,992

Revenues reported as deferred revenue in the governmental funds are recognized in the Statement of Activities. 142,983

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net assets.

Balances at June 30, 2012 are:

Certificates of Participation	\$	(210,000)	
Compensated absences		(9,280)	
Loan payable - County of Riverside		(539,953)	
Accrued interest payable		(1,291)	(760,524)

Net assets of governmental activities \$ 9,031,212

City of Canyon Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,286,700	\$ -	\$ -	\$ 2,286,700
Licenses and permits	161,353	-	-	161,353
Fines and forfeitures	28,791	-	-	28,791
Intergovernmental	313,691	2,451,392	611,613	3,376,696
Use of money and property	51,448	-	2,058	53,506
Other	418,978	-	-	418,978
	<u>3,260,961</u>	<u>2,451,392</u>	<u>613,671</u>	<u>6,326,024</u>
EXPENDITURES				
Current:				
General government	719,754	-	-	719,754
Public safety	2,720,924	-	125,149	2,846,073
Public works	52,743	2,559,062	357,703	2,969,508
Community development	120,540	-	-	120,540
Debt service:				
Principal	-	-	136,210	136,210
Interest and fiscal charges	-	-	25,584	25,584
	<u>3,613,961</u>	<u>2,559,062</u>	<u>644,646</u>	<u>6,817,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(353,000)</u>	<u>(107,670)</u>	<u>(30,975)</u>	<u>(491,645)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	120,584	120,584
Transfers out	-	-	(120,584)	(120,584)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(353,000)	(107,670)	(30,975)	(491,645)
Fund balances, beginning of year	<u>3,707,928</u>	<u>147,883</u>	<u>704,595</u>	<u>4,560,406</u>
Fund balances, end of year	<u>\$ 3,354,928</u>	<u>\$ 40,213</u>	<u>\$ 673,620</u>	<u>\$ 4,068,761</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2012**

Net change in fund balances - total governmental funds \$ (491,645)

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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	2,837,945
Depreciation expense	(150,874)
Net book value of assets disposed	(605)

Governmental funds report principal payments as expenditures. In the statement of activities, principal payments are applied to the appropriate long-term liability.	136,210
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Revenues reported as deferred revenue in the governmental funds are recognized in the Statement of Activities.	142,983
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Decrease in compensated absences payable	5,084
Decrease in accrued interest payable on long-term liabilities	584
	5,668

Change in net assets of governmental activities	\$ 2,479,682
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The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Statement of Fiduciary Assets and Liabilities
June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 3,915
Due from other governments	<u>39,167</u>
Total assets	<u><u>\$ 43,082</u></u>
LIABILITIES	
Deposits	<u>\$ 43,082</u>
Total liabilities	<u><u>\$ 43,082</u></u>

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the reporting entity

The City of Canyon Lake was incorporated on December 1, 1990 under the laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a council-manager form of government and currently provides a wide variety of services to its citizens, including public safety, public services, community development, general administrative and other services.

There are no separate legal entities with accounting activities over which the City Council has continuing oversight responsibility or which otherwise meet the criteria for inclusion in accordance with GASB Statement No. 14, "The Reporting Entity."

b. Government-wide and fund financial statements

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City does not have any proprietary funds.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (continued)

c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end, as available if they are collected within 60 days of the end of the current fiscal period. Other revenue susceptible to accrual includes sales tax, state gasoline taxes, investment income, and certain other intergovernmental revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, as well as compensated absences and claims and judgments, which are recognized when due.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government not accounted and reported in another fund.

The *Capital Projects Fund* accounts for city-wide capital improvement projects.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue resources that are restricted or committed to expenditures for specific purposes other than debt service and capital projects.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (continued)

The *Debt Service Fund* is used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal, interest, and related costs.

The *Agency Fund* is used to account for the resources held by the City in a fiduciary capacity.

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, including special assessments. 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 City's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

Other Accounting Policies

Deposits 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.

Investments are reported at fair value. The City's policy is to hold investments until maturity or until market values equal or exceed cost. The State Treasurers 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 the applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Property taxes

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 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st, the second installment is due February 1st. All taxes are delinquent, if unpaid, on December 10th and April 10th respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31st.

Restricted assets

Certain proceeds of the City's certificates of participation, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than or equal to \$1,000 (amount not rounded) and an estimated useful life of at least two 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.

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

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

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	39
Building improvements	10
Infrastructure	20 - 50
Vehicles	5 - 10
Office equipment	5 - 10
Computer equipment	5

Use of estimates

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Compensated absences

The City provides to its employees a comprehensive annual leave program. Leave pay is payable at the time it is taken or upon termination.

The total amount of liability for compensated absences is segregated between short-term and long-term with both portions reflected in the government-wide statements. The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Unearned revenues

In the government-wide financial statements and the fund financial statements, unearned revenues represent cash advances by various grantors that have not been spent; therefore, no revenue has been recognized.

Fund equity

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council may establish (and modify or rescind) fund balance commitments by passage of an ordinance or resolution.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 2: Budgetary Information

The City prepares its budgets on the basis of estimated actual expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis consistent with generally accepted accounting principles.

Each year, the City Manager submits a proposed budget to the City Council during May. The City Council holds budget hearings during May and June. The final budget is adopted by the City Council in June.

No budget expenditures can be disbursed without proper appropriations. Once the budget is adopted, no additional funds can be authorized without the City Council's approval. The level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the individual fund level. The City Manager can authorize budget transfers between departments without additional appropriations.

Throughout the year, budgeted expenditures are reviewed and projections are made by the City Manager. Therefore, any necessary changes are submitted for approval to the City Council with a recorded action for any budget adjustments.

Formal budgetary integration is employed as a management control device during the year for all the governmental type funds. Budgets for all the governmental type funds are adopted on a basis consistent with generally accepted accounting principles, except for the Kangaroo Rat Fees Fund and the Miscellaneous Grants Fund which do not have legally adopted budgets. Budgeted amounts are as originally adopted and are further amended by the City Council.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 3,678,857
Restricted assets	
Cash and investments with fiscal agent	120,445
Statement of Fiduciary Assets and Liabilities	
Cash and investments	<u>3,915</u>
Total cash and investments	<u><u>\$ 3,803,217</u></u>

Cash and Investments as of June 30, 2012 consists of the following:

Deposits with financial institutions	\$ 719,148
Cash on hand	300
Investments	<u>3,083,769</u>
Total cash and investments	<u><u>\$ 3,803,217</u></u>

The City follows the practice of pooling cash and investments of all funds except for funds held by a fiscal agent. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on cash balances. Interest income from cash and investments with a fiscal agent is credited directly to the related fund.

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.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

Authorized investments

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
U. S. Treasuries	5 years	None	None
Money Market Accounts	N/A	10%	5%
Certificates of Deposit	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	50%	None
Federal Agency Securities	5 years	None	None
Bankers Acceptances	180 days	10%	5%
Commercial Paper	270 days	10%	10%
Medium-Term Notes	5 years	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	10%	None

Investments authorized by debt agreements

Provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy govern investments of debt proceeds held by bond trustees. The table below identifies the investment types that are authorized for investments held by bond trustees. The table identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Government Obligations	None	None	None
FHLB's	None	None	None
FHLMC's	None	None	None
Farmers Home Administration	None	None	None
FNMA's	None	None	None
Federal Financing Bank	None	None	None
Export-Import Bank of U. S.	None	None	None
GNMA's	None	None	None
Federal Housing Administration	None	None	None
Private Export Funding Corp.	None	None	None
State Obligations	None	None	None
Certificates of Deposit	360 days	None	None
Deposits fully insured by FDIC	None	None	None
Corporate Debt	None	None	None
Public Housing Bonds	None	None	None
Investment Agreements	None	None	None
Municipal Obligations rated AAA	None	None	None
Commercial Paper rated P-1	270 days	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds rated AA	N/A	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations are presented below.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

Investment type	Total	12 months or less	13 to 24 months	25 to 60 months
Local Agency Investment Fund	\$ 9,461	\$ 9,461	\$ -	\$ -
Money market sweep	306,807	306,807	-	-
Certificates of deposit	104,755	104,755	-	-
Federal agency securities	2,061,085	854,013	214,583	992,489
Corporate debt securities	354,598	354,598	-	-
Money market	126,618	126,618	-	-
Held by bond trustee				
Money market funds	120,445	120,445	-	-
Totals	<u>\$ 3,083,769</u>	<u>\$ 1,876,697</u>	<u>\$ 214,583</u>	<u>\$ 992,489</u>

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Information about the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each type of investment held by the City can be found below.

Investment type	Total	Minimum legal rating	Ratings as of year end
Local Agency Investment Fund	\$ 9,461	N/A	Not rated
Money market sweep	306,807	N/A	Not rated
Certificates of deposit	104,755	N/A	Not rated
Federal agency securities	2,061,085	AA-a2	AAA AA+
Corporate debt securities	354,598	A	A
Money market	126,618	N/A	Not rated
Held by bond trustee:			
Money market funds	120,445	AA	AA
Totals	<u>\$ 3,083,769</u>		

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer (other than Mutual Funds and External Investment Pools) that represent 5% or more of the City's investments are as follows:

Issuer	Investment Type	Reported Amounts
Federal Home Loan Bank	Federal agency securities	\$ 1,512,680
GE Capital Corp	Corporate debt securities	252,915
Federal Farm Credit Bank	Federal agency securities	347,260
Freddie Mac	Federal agency securities	157,124

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, the City had deposits of \$56,807 with financial institutions in excess of federal depository insurance limits that were held in collateralized accounts.

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.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this Pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF has reported to its participating agencies that, as of June 30, 2012, the carrying amount (at amortized cost) of the Pool was \$60,514,457,551 and the estimated fair value of the pool was \$60,588,263,603. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2012, was \$9,461. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Note 4: Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund Law Enforcement Grants	\$ 459,726 15,353
		\$ 475,079

The above receivables are for deficit cash balances at year end.

Interfund transfers:

Fund Receiving Transfers	Fund Making Transfers	Amount
Debt Service	Gas Tax	\$ 120,584
		\$ 120,584

The above transfers are for debt service on the Certificates of Participation.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 5: Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in progress	1,038,952	2,788,695	-	3,827,647
Total capital assets, not being depreciated	<u>1,168,952</u>	<u>2,788,695</u>	<u>-</u>	<u>3,957,647</u>
Capital assets, being depreciated:				
Buildings	690,750	44,400	-	735,150
Machinery & equipment	238,825	4,850	(17,065)	226,610
Vehicles	376,106	-	(77,375)	298,731
Infrastructure	1,533,077	-	-	1,533,077
Total capital assets, being depreciated	<u>2,838,758</u>	<u>49,250</u>	<u>(94,440)</u>	<u>2,793,568</u>
Less accumulated depreciation for:				
Buildings	(153,091)	(21,358)	-	(174,449)
Machinery & equipment	(190,529)	(12,726)	17,065	(186,190)
Vehicles	(262,024)	(37,871)	76,770	(223,125)
Infrastructure	(508,540)	(78,919)	-	(587,459)
Total accumulated depreciation	<u>(1,114,184)</u>	<u>(150,874)</u>	<u>93,835</u>	<u>(1,171,223)</u>
Total capital assets, being depreciated, net	<u>1,724,574</u>	<u>(101,624)</u>	<u>(605)</u>	<u>1,622,345</u>
Governmental activities capital assets, net	<u>\$ 2,893,526</u>	<u>\$ 2,687,071</u>	<u>\$ (605)</u>	<u>\$ 5,579,992</u>

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

Governmental activities:	
General government	\$ 16,990
Public safety	46,337
Public works	<u>87,547</u>
Total depreciation expense - governmental activities	<u>\$ 150,874</u>

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 6: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of Participation	\$ 305,000	\$ -	\$ 95,000	\$ 210,000	\$ 100,000
Loan Payable - County of Riverside	581,163	-	41,210	539,953	40,000
Compensated Absences	14,364	11,588	16,672	9,280	4,640
 Governmental activities long-term liabilities	 <u>\$ 900,527</u>	 <u>\$ 11,588</u>	 <u>\$ 152,882</u>	 <u>\$ 759,233</u>	 <u>\$ 144,640</u>

Certificates of Participation:

In June 1994 the City issued \$1,245,000 Certificates of Participation to finance the construction and acquisition of street improvements within the City. The certificates consist of \$555,000 serial certificates maturing in installments ranging from \$35,000 to \$65,000 from 1995 to 2006; and \$690,000 term certificates maturing in 2014. The debt service payments on the certificates are to be paid solely with Gas Tax Revenues. The certificates bear interest ranging from 4.5% to 7.375% payable semi-annually on June 1 and December 1 of each year, commencing December 1, 1994. The principal balance as of June 30, 2012 is \$210,000.

The annual requirements to amortize the outstanding Certificates of Participation as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 100,000	\$ 15,488
2014	110,000	8,112
 Total	 <u>\$ 210,000</u>	 <u>\$ 23,600</u>

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 6: Long-Term Liabilities (continued)

Loan Payable - County of Riverside

In June 2003, the City entered into an agreement with the County of Riverside (the County) to obtain a loan for \$1,000,000 to finance the costs of structural repairs to Railroad Canyon Road. The loan is interest free. The loan does not have a set debt service schedule and shall be due within ten (10) years of the agreement and no later than June 30, 2013. The City has pledged all of its Proposition 12 and 40 park bond funds, Community Development Block Grant funds, and commencing in fiscal year 2010-2011 (if the loan is not repaid), Measure A and/or Proposition 42 funds for repayment of the debt. The principal balance as of June 30, 2012 is \$539,953.

Note 7: Operating Lease

The City leases equipment under a noncancelable operating lease. Total costs for the lease was \$1,586 for the fiscal year ended June 30, 2012. The future minimum annual lease payments for the lease are as follows:

Year Ending June 30,	Total
2013	\$ 5,708
2014	5,708
2015	5,708
2016	5,708
2017	4,122
	\$ 26,954

Note 8: Retirement Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multi-employer public employees 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: 400 "P" Street, Sacramento, California 95814.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 8: Retirement Plan (continued)

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of the employees on their behalf and for their account. Beginning July 1, 2010 all new employees are required to pay their own contributions, and as of June 30, 2012 the City had one such employee. The City is required to contribute at an actuarially determined rate; the current rate is 14.398% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by PERS.

Required Contribution

For 2012, the City's pension cost of \$27,031 for PERS was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal Year	Required Contribution	Percentage Contributed
06/30/10	\$ 49,545	100%
06/30/11	\$ 28,174	100%
06/30/12	\$ 27,031	100%

Plan Description: Defined Contribution Pension Plan

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5 percent to a retirement plan, and the employees contribute the full 7.5 percent, although certain employees contribute in excess of the requirement.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 9: Risk Management

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies: twenty-two cities, three transit agencies and six special districts. The City participates in the liability, employment practices liability, property, auto physical damage, and crime insurance programs of PERMA.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a \$0 self-insured retention for this coverage and participates in risk sharing pools for losses up to \$1 million, followed by PERMA's membership in the CSAC Excess Insurance Authority (EIA) for \$49 million of excess liability coverage.

The employment practices liability program provides up to \$1 million per occurrence. The City has selected a \$25,000 self-insured retention for this coverage. Coverage above \$25,000 is with Employment Risk Management Authority (ERMA) to a limit of \$1,000,000, followed by PERMA's membership in CSAC-EIA for \$49 million of excess employment practices liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis and all risk, eliminating the traditional commercial "named peril" policy.

The auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Auto physical damage coverage is written on an agreed amount basis.

The crime insurance program provides public employee dishonesty, forgery or alteration, and computer fraud coverage under a master insurance policy.

The City is insured with the State Compensation Insurance Fund for workers' compensation claims. There is no deductible requirement for this coverage.

Note 10: Commitments and Contingencies

As of June 30, 2012, the City's remaining commitment on open construction contracts on the Railroad Canyon Road Widening project is estimated to be \$3,963,222 and have incurred expenditures of \$1,936,777 through June 30, 2012.

The City is currently disputing approximately \$61,000 in attorney fees and any amount that may be owed at this time has not been determined.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2012

Note 11: Fund Equity

The City has established certain fund balance designations to report the amounts in the following funds, which represent available spendable resources which are restricted, committed or assigned for a specific purpose:

	General Fund	Major Fund Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 2,760	\$ -	\$ -	\$ 2,760
Restricted for:				
Public works	-	-	452,812	452,812
Community development	-	-	37,721	37,721
Capital projects	-	40,213	8,994	49,207
Debt service	-	-	120,445	120,445
Equipment	-	-	53,648	53,648
Committed to:				
Economic stabilization	1,806,980	-	-	1,806,980
Assigned to:				
Self-insured retention	15,000	-	-	15,000
Litigation	25,000	-	-	25,000
Equipment replacement	35,000	-	-	35,000
Unassigned:	1,470,188	-	-	1,470,188
	<u>\$ 3,354,928</u>	<u>\$ 40,213</u>	<u>\$ 673,620</u>	<u>\$ 4,068,761</u>

Note 12: Jointly Governed Organization

The City, in conjunction with 4 other governmental entities, created the Southwest Communities Financing Authority (Authority) on November 30, 2004. The Authority was formed to issue bonds for the construction of an animal shelter to be used by the member agencies. The Authority's board is comprised of one member from each participating entity. The City has the following fiscal obligations: debt repayment of bonds issued, administrative costs and operation of the animal shelter. The debt service payments and the animal shelter operating costs will be prorated to each member based on the percentage of the animals housed at the facility, on an annual basis. The administrative costs will be borne equally by all members. The City incurred costs of \$67,141 for the fiscal year ended June 30, 2012, which included \$25,141 in interest on the bonds issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes	\$ 2,354,250	\$ 2,354,250	\$ 2,286,700	\$ (67,550)
Licenses and permits	192,556	192,556	161,353	(31,203)
Fines and forfeitures	50,000	50,000	28,791	(21,209)
Intergovernmental	95,974	324,174	313,691	(10,483)
Use of money and property	109,520	109,520	51,448	(58,072)
Other	384,400	384,400	418,978	34,578
Total revenues	<u>3,186,700</u>	<u>3,414,900</u>	<u>3,260,961</u>	<u>(153,939)</u>
EXPENDITURES				
Current:				
General government	749,251	749,251	719,754	29,497
Public safety	2,247,088	2,672,088	2,720,924	(48,836)
Public works	71,714	71,714	52,743	18,971
Community development	128,600	128,600	120,540	8,060
Total expenditures	<u>3,196,653</u>	<u>3,621,653</u>	<u>3,613,961</u>	<u>7,692</u>
Net change in fund balance	(9,953)	(206,753)	(353,000)	(146,247)
Fund balance, beginning of year	<u>3,707,928</u>	<u>3,707,928</u>	<u>3,707,928</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,697,975</u></u>	<u><u>\$ 3,501,175</u></u>	<u><u>\$ 3,354,928</u></u>	<u><u>\$ (146,247)</u></u>

**City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	<u>\$ 4,923,000</u>	<u>\$ 4,923,000</u>	<u>\$ 2,451,392</u>	<u>\$ (2,471,608)</u>
Total revenues	<u>4,923,000</u>	<u>4,923,000</u>	<u>2,451,392</u>	<u>(2,471,608)</u>
EXPENDITURES				
Current:				
Public works	<u>5,113,000</u>	<u>5,113,000</u>	<u>2,559,062</u>	<u>2,553,938</u>
Total expenditures	<u>5,113,000</u>	<u>5,113,000</u>	<u>2,559,062</u>	<u>2,553,938</u>
Net change in fund balance	(190,000)	(190,000)	(107,670)	82,330
Fund balance, beginning of year	<u>147,883</u>	<u>147,883</u>	<u>147,883</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (42,117)</u></u>	<u><u>\$ (42,117)</u></u>	<u><u>\$ 40,213</u></u>	<u><u>\$ 82,330</u></u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Kangaroo Rat Fees – This fund is used to account for the fees collected from developers to be used for mitigation measures for the Kangaroo Rat.

RSA – This fund is used to account for fees from developers to be used for the acquisition or construction of public buildings or facilities.

Gas Tax – This fund is to account for the repair and maintenance of streets and traffic signals of the City. Financing is through the State Highway Users Tax Sections 2103, 2105, 2106, 2107, and 2107.5 of the Streets and Highways Code.

Measure A – This fund is used to account for the construction, reconstruction, alteration, and maintenance of the streets of the City.

AQMD – This fund is used to account for the receipt of AB 2766 funds to implement programs that reduce air pollution from motor vehicles. Local Governments receive forty percent of the motor vehicle registration fee surcharge of \$4 per vehicle collected by the Department of Motor Vehicles.

Law Enforcement Grants – This fund is used to account for the *Supplemental Law Enforcement Grant* funds used for front line law enforcement services, and for the *California Law Enforcement Equipment Program* for the purchase of equipment to assist law enforcement to prevent and reduce crime.

Miscellaneous Grants – This fund is used to account for specific revenue resources that are restricted or committed to expenditure for specific purposes other than capital projects.

Debt Service Fund

Debt Service – This fund accounts for all financial resources that are restricted, committed, or assigned to meet the debt service requirements of the Certificates of Participation.

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**City of Canyon Lake
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

	Special Revenue Funds				
	Kangaroo Rat Fees	RSA	Gas Tax	Measure A	AQMD
ASSETS					
Cash and investments	\$ 30,833	\$ 8,994	\$ 222,467	\$ 141,973	\$ 42,991
Cash with fiscal agent	-	-	-	-	-
Receivables:					
Intergovernmental	-	-	33,275	27,292	3,297
Total assets	<u>\$ 30,833</u>	<u>\$ 8,994</u>	<u>\$ 255,742</u>	<u>\$ 169,265</u>	<u>\$ 46,288</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 7,747	\$ 10,736	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>7,747</u>	<u>10,736</u>	<u>-</u>
Fund Balances:					
Restricted for:					
Public works	-	-	247,995	158,529	46,288
Community development	30,833	-	-	-	-
Capital projects	-	8,994	-	-	-
Debt service reserve	-	-	-	-	-
Equipment	-	-	-	-	-
Total fund balances	<u>30,833</u>	<u>8,994</u>	<u>247,995</u>	<u>158,529</u>	<u>46,288</u>
 Total liabilities and fund balances	<u>\$ 30,833</u>	<u>\$ 8,994</u>	<u>\$ 255,742</u>	<u>\$ 169,265</u>	<u>\$ 46,288</u>

Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
Law Enforcement Grants	Miscellaneous Grants	Total Special Revenue Funds	Debt Service	
\$ -	\$ 53,648	\$ 500,906	\$ -	\$ 500,906
-	-	-	120,445	120,445
25,000	-	88,864	-	88,864
<u>\$ 25,000</u>	<u>\$ 53,648</u>	<u>\$ 589,770</u>	<u>\$ 120,445</u>	<u>\$ 710,215</u>
\$ 2,759	\$ -	\$ 21,242	\$ -	\$ 21,242
15,353	-	15,353	-	15,353
18,112	-	36,595	-	36,595
-	-	452,812	-	452,812
6,888	-	37,721	-	37,721
-	-	8,994	-	8,994
-	-	-	120,445	120,445
-	53,648	53,648	-	53,648
6,888	53,648	553,175	120,445	673,620
<u>\$ 25,000</u>	<u>\$ 53,648</u>	<u>\$ 589,770</u>	<u>\$ 120,445</u>	<u>\$ 710,215</u>

City of Canyon Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds				
	Kangaroo Rat Fees	RSA	Gas Tax	Measure A	AQMD
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 314,545	\$ 142,503	\$ 13,355
Use of money and property	111	54	769	887	133
Total revenues	111	54	315,314	143,390	13,488
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Public works	-	12,544	111,029	234,130	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	12,544	111,029	234,130	-
Excess of revenues over (under) expenditures	111	(12,490)	204,285	(90,740)	13,488
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(120,584)	-	-
Total other financing sources (uses)	-	-	(120,584)	-	-
Net change in fund balances	111	(12,490)	83,701	(90,740)	13,488
Fund balances, beginning of year	30,722	21,484	164,294	249,269	32,800
Fund balances, end of year	<u>\$ 30,833</u>	<u>\$ 8,994</u>	<u>\$ 247,995</u>	<u>\$ 158,529</u>	<u>\$ 46,288</u>

<u>Special Revenue Funds</u>			<u>Debt Service</u>	<u>Total</u>
<u>Law</u>			<u>Fund</u>	<u>Nonmajor</u>
<u>Enforcement</u>	<u>Miscellaneous</u>	<u>Total Special</u>	<u>Debt</u>	<u>Governmental</u>
<u>Grants</u>	<u>Grants</u>	<u>Revenue Funds</u>	<u>Service</u>	<u>Funds</u>
\$ 100,000	\$ 41,210	\$ 611,613	\$ -	\$ 611,613
104	-	2,058	-	2,058
<u>100,104</u>	<u>41,210</u>	<u>613,671</u>	<u>-</u>	<u>613,671</u>
125,149	-	125,149	-	125,149
-	-	357,703	-	357,703
-	41,210	41,210	95,000	136,210
-	-	-	25,584	25,584
<u>125,149</u>	<u>41,210</u>	<u>524,062</u>	<u>120,584</u>	<u>644,646</u>
<u>(25,045)</u>	<u>-</u>	<u>89,609</u>	<u>(120,584)</u>	<u>(30,975)</u>
-	-	-	120,584	120,584
-	-	(120,584)	-	(120,584)
-	-	(120,584)	120,584	-
(25,045)	-	(30,975)	-	(30,975)
<u>31,933</u>	<u>53,648</u>	<u>584,150</u>	<u>120,445</u>	<u>704,595</u>
<u>\$ 6,888</u>	<u>\$ 53,648</u>	<u>\$ 553,175</u>	<u>\$ 120,445</u>	<u>\$ 673,620</u>

AGENCY FUND

Agency Fund - To account for collections from citizens for solid waste services by the City on behalf of CR&R and payments made by the City to CR&R. To account for TUMF and MSHCP fees received from developers and builders and paid to WRCOG. To account for developer deposits received for various planning projects.

City of Canyon Lake
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2012

Agency Fund	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
ASSETS				
Cash and investments	\$ 38,669	\$ 1,099,358	\$ 1,134,112	\$ 3,915
Due from other governments	49,653	39,167	49,653	39,167
Total assets	<u>\$ 88,322</u>	<u>\$ 1,138,525</u>	<u>\$ 1,183,765</u>	<u>\$ 43,082</u>
LIABILITIES				
Deposits	\$ 88,322	\$ 1,138,525	\$ 1,183,765	\$ 43,082
Total liabilities	<u>\$ 88,322</u>	<u>\$ 1,138,525</u>	<u>\$ 1,183,765</u>	<u>\$ 43,082</u>

