

**REDEVELOPMENT AGENCY  
OF THE CITY OF SAN JACINTO**

**INDEPENDENT AUDITORS' REPORT,  
MANAGEMENT'S DISCUSSION AND ANALYSIS,  
BASIC FINANCIAL STATEMENTS, REQUIRED  
SUPPLEMENTARY INFORMATION, AND OTHER  
REPORTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



**REDEVELOPMENT AGENCY  
OF THE CITY OF SAN JACINTO  
ANNUAL FINANCIAL REPORT**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
San Jacinto Redevelopment Agency  
San Jacinto, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of San Jacinto (the Agency), a component unit of the City of San Jacinto, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency'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 and each major fund of the Redevelopment Agency of the City of San Jacinto as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the Agency'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, and 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Vavonek, Tame. Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2008

# **REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

This is management's discussion and analysis of the financial performance of the Redevelopment Agency of the City of San Jacinto (the Agency) for the fiscal year ended June 30, 2008. Please read this in conjunction with the Agency's financial statements, which follow this discussion.

### **PURPOSE OF THE AGENCY**

The Agency was formed to eliminate urban blight in the City of San Jacinto. The Agency is a component unit of the City and shares governing boards and staff members. The Agency cannot assess property taxes but receives incremental increases in property taxes over base year amounts set at the time the property areas were transferred to the Agency. One-fifth of this tax increment must be used for low and moderate-income housing assistance. The Agency shares a portion of the tax increment with other government entities under pass-through agreements. The Agency has limited powers to condemn property.

### **FINANCIAL HIGHLIGHTS**

- On the current financial resources (government-wide) basis the Agency's total net assets were in surplus position of \$3,816,092 and on the spendable resources (fund financial statements) basis the Agency's fund balances were in surplus position of \$10,608,836 at the end of the year. The \$6,792,744 difference on the government-wide basis derives from the fact that the Agency produces no capital assets yet reduces net assets for current and future indebtedness under bond agreements whereas under the fund financial statements basis proceeds from debt offerings are considered other financing sources and are included as available for spending in fund balances.
- On the current financial resources (government-wide) basis the Agency reported revenues in excess of expenses of \$650,565 and on the spendable resources (fund financial statement) basis reported expenditures and other financing sources and uses in excess of revenues of \$804,454 for the year. The difference derives from the fact that payments to retire bond indebtedness reduce liabilities and therefore increase net assets on the government-wide basis whereas payments to retire bond indebtedness are considered expenditures and decrease fund balances under the fund financial statements basis. In addition, the issuance of new debt increases liabilities and therefore decreases net assets on the government wide basis whereas the issuance of new debt is considered an other financing source and increases fund balances under the fund financial statement basis.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this portion), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Agency.

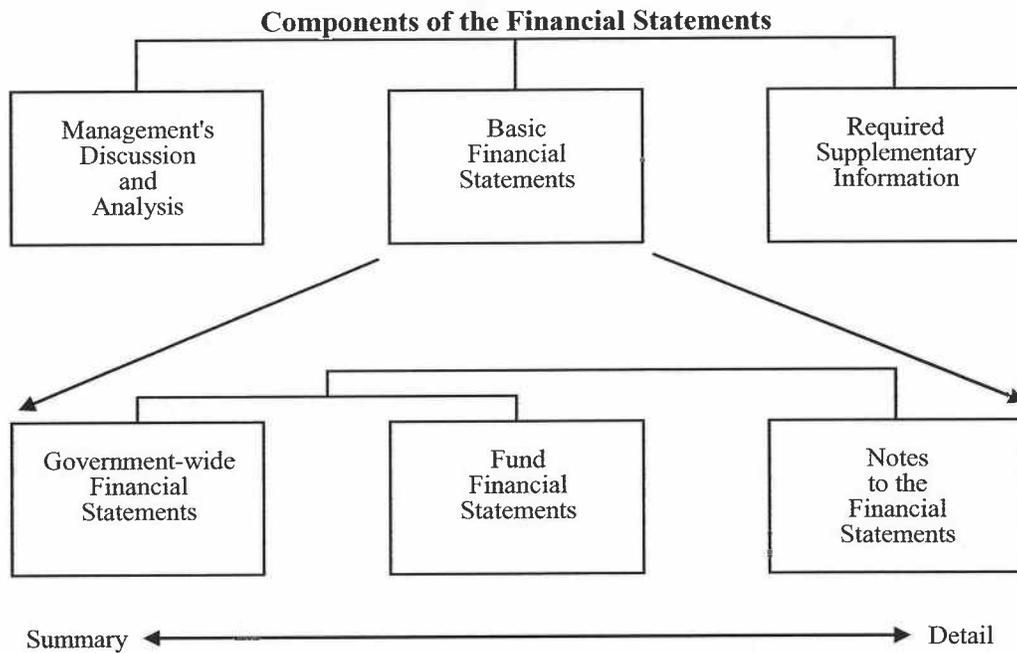
- The government-wide financial statements provide both long-term and short-term information about the Agency's overall financial status, in a manner similar to private sector business.
- Fund financial statements focus on individual parts of the Agency, reporting the Agency's operations in more detail than the government-wide financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

The fund statements tell how general government services such as community development were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a comparison of actual results with the original and final amended budget for the major special revenue fund, which is required supplementary information.

**Government-wide Financial Statements**

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All current year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net assets and how they have changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Agency is improving or deteriorating.

The government-wide financial statements consist of governmental activities in the area of community development.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the Agency's largest funds, not the Agency as a whole.

The Agency has one type of fund:

- *Governmental funds* – All of the Agency's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow each of the governmental funds statements.

### FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. This analysis addresses the financial statements of the Agency as a whole.

**Redevelopment Agency of the City of San Jacinto**  
**Government-wide Financial Statements - Summary of Net Assets**  
As of June 30, 2008 and 2007  
(in thousands)

	2008	2007	Percent Change
Cash and investments	\$ 9,426	\$ 9,886	(4.7)%
Land held for resale	752	752	0.0%
Other assets	5,057	3,456	46.3%
Total current and other assets	<u>15,235</u>	<u>14,094</u>	8.1%
Long-term liabilities	9,330	9,729	(4.1)%
Other liabilities	2,089	1,199	74.2%
Total liabilities	<u>11,419</u>	<u>10,928</u>	4.5%
Net Assets:			
Restricted	10,609	11,413	(7.0)%
Unrestricted	<u>(6,793)</u>	<u>(8,247)</u>	(17.6)%
Total net assets	<u>\$ 3,816</u>	<u>\$ 3,166</u>	20.5%

Net assets represent the difference between the Agency's resources and its obligations. Restricted net assets represent amounts that must be used in accordance with external restriction. The unrestricted balance of net assets is in deficit position at June 30, 2008.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

**Redevelopment Agency of the City of San Jacinto  
Government-wide Financial Statements - Changes in Net Assets**  
As of June 30, 2008 and 2007  
(in thousands)

	2008	2007	Percent Change
<b>Revenues</b>			
General Revenues:			
Redevelopment tax increment	\$ 6,379	\$ 5,509	15.8%
Investment earnings	456	526	(13.3)%
Other	1,128	1,299	(13.2)%
Total revenues	<u>7,963</u>	<u>7,334</u>	8.6%
<b>Expenses</b>			
Governmental activities:			
Community development	1,340	1,978	(32.3)%
Pass-through agreements	1,892	1,533	23.4%
Interest on long-term debt	424	447	(5.1)%
Total expenses	<u>3,656</u>	<u>3,958</u>	(7.6)%
Increase in net assets, before transfers	4,307	3,376	27.6%
Transfers, net	<u>(3,656)</u>	<u>(922)</u>	296.5%
Increase in net assets	<u>\$ 651</u>	<u>\$ 2,454</u>	(73.5)%

**Revenues**

The Agency's total revenues from governmental activities were \$4,307,137 for the year. Redevelopment tax increment comprised 80.1 percent of the total revenue of the Agency.

**Expenses**

The activities of the Agency include community development and pass-through agreements on the government-wide financial statements. Overall expenses of the Agency for the year totaled \$3,656,572. Expenses specific to actual community development activity totaled \$1,340,454 or 36.7 percent of total expenses of the Agency. Payments on pass-through agreements totaled \$1,892,281 or 51.7 percent of total expenses, interest on long-term debt totaled \$423,837 or 11.6 percent of total expenses.

**Transfers**

Transfers In and Out are shown here combined. Transfers to the City of San Jacinto for the year totaled \$3,709,191, which were actual program expenditures (such as housing rehab) recorded in the City's CIP fund.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

### FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The Agency uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Agency's government, reporting the Agency's operations in more detail than the government-wide financial statements.

The Agency's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The Agency's governmental funds reported combined fund balances at June 30, 2008 of \$10,608,836.

**Redevelopment Agency of the City of San Jacinto**  
**Fund Financial Statements - Fund Balances**  
As of June 30, 2008 and 2007  
(in thousands)

	2008	2007	Percent Change
<b>Reserved for:</b>			
Land held for resale	\$ 752	\$ 752	0.0%
Long-term advances to city	144	144	0.0%
Long-term receivables	-	210	(100.0)%
Debt service	73	642	(88.6)%
Prepays	2	2	0.0%
Total reserved fund balances	<u>971</u>	<u>1,750</u>	(44.5)%
<b>Unreserved, reported in:</b>			
Special revenue funds	2,577	5,374	(52.0)%
Debt service funds	3,848	1,353	184.4%
Capital projects funds	3,213	2,936	9.4%
Total Unreserved	<u>9,638</u>	<u>9,663</u>	(0.3)%
Total fund balances	<u>\$ 10,609</u>	<u>\$ 11,413</u>	(7.0)%

### Major Special Revenue Fund Budgetary Highlights

Over the course of the year, the Agency revised the Agency budget with adjustments which fall into the following two categories:

- Changes made in the midyear report to adjust revenues, augment current year expenditure appropriations, adjust expenditure appropriations for prior year department carryover, and establish or increase designations of fund balance.
- Other revenue adjustments and expenditure appropriations approved after the original budget is adopted, and before or after the midyear report is approved.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Capital project appropriations originally budgeted in fiscal year 2007 were re-appropriated in 2008 as part of the Agency's capital budget.

After taking into account these adjustments, actual expenditures were \$220,934 less than final budget amounts. This was primarily due to Professional and Contract Services not being required or incurred during the year.

Resources available for appropriation were \$371,850 above the final budgeted amount and were due to higher than anticipated redevelopment tax increment revenue and investment earnings.

### Long-term Debt

At June 30, 2008, the Agency had \$9,329,542 in long-term debt outstanding. More detailed information about the Agency's total long-term liabilities is presented in Note 4 to the financial statements.

**Redevelopment Agency of the City of San Jacinto**  
**Long-term Debt Outstanding**  
As of June 30, 2008 and 2007  
(in thousands)

	2008	2007	Percent Change
Tax allocation bonds	\$ 9,330	\$ 9,730	(4.4)%
Deferred charges	(27)	(29)	(6.5)%
Loan from City of San Jacinto	-	-	(100.0)%
Loan from EMWD	27	28	(3.4)%
Total	<u>\$ 9,330</u>	<u>\$ 9,729</u>	(5.7)%

The Agency's 2005 Tax Allocation Bonds are insured and are rated AAA by Standard & Poors.

### ECONOMIC FACTORS

Like most regions, after years of rapid growth, the Agency's project areas will most likely show the effects of the economic downturn in the near future. Property tax increment revenues are expected to remain flat or even decrease. The State of California budget crisis has resulted in a continuation of the Educational Revenue Augmentation Fund (ERAF) payment, with a \$388,219 payment due from the Agency in May 2009. The total \$350 million identified in the State's budget is the subject of a lawsuit against the State brought by the California Redevelopment Association.

## **REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

#### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances, and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Redevelopment Agency of the City of San Jacinto, Department of Finance, Accounting Division, PO Box 488, San Jacinto, California 92581, or visit the Agency's web page at [www.ci.san-jacinto.ca.us/](http://www.ci.san-jacinto.ca.us/).

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,858,527
Cash and investments with fiscal agent	5,567,770
Receivables:	
Interest	24,251
Loans	2,300,000
Prepays	1,978
Due from other governments	236,621
Due from the City of San Jacinto	1,946,405
Deferred charges	403,589
Advances to the City of San Jacinto	144,128
Land held for resale	751,996
	<hr/>
Total Assets	15,235,265
<b>LIABILITIES</b>	
Accounts payable	59,606
Accrued wages	22,302
Accrued interest payable	166,791
Due to other governments	1,216,681
Due to the City of San Jacinto	600,000
Deferred revenue	24,251
Noncurrent liabilities:	
Due within one year	241,270
Due in more than one year	9,088,272
	<hr/>
Total Liabilities	11,419,173
<b>NET ASSETS</b>	
Restricted for:	
Community development	2,612,057
Capital projects	4,074,038
Debt service	3,922,741
Unrestricted	(6,792,744)
	<hr/>
Total Net Assets	<u>\$ 3,816,092</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
Governmental activities:	
Community development	\$ 1,340,454
Pass-through agreements	1,892,281
Interest on long-term debt	<u>423,837</u>
Total Governmental Activities	<u>3,656,572</u>
<b>GENERAL REVENUES</b>	
Taxes:	
Incremental property taxes	6,378,567
Investment earnings	456,383
Other revenue	1,128,327
Transfers from the City of San Jacinto	53,051
Transfers to the City of San Jacinto	<u>(3,709,191)</u>
Total General Revenues	<u>4,307,137</u>
Change in Net Assets	650,565
Net Assets, Beginning of Year	<u>3,165,527</u>
Net Assets, End of Year	<u><u>\$ 3,816,092</u></u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2008**

	San Jacinto Special Revenue	Soboba Debt Service	San Jacinto Debt Service
<b>ASSETS</b>			
Cash and investments	\$ (1,986,223)	\$ 1,054,243	\$ 4,418,870
Cash and investments with fiscal agent	3,552,070	83,946	697
Receivables, net			
Interest	24,251		
Loans	2,300,000		
Prepays			1,978
Due from other governments	53,057	3,070	179,618
Due from the City of San Jacinto	408,249		
Advance to the City of San Jacinto			
Land held for resale	34,618		
Total Assets	<u>\$ 4,386,022</u>	<u>\$ 1,141,259</u>	<u>\$ 4,601,163</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 11,151		\$ 3,000
Accrued wages	2,655		
Due to other governments		\$ 48,933	1,167,748
Due to the City of San Jacinto		600,000	
Deferred revenue	2,324,251		
Total Liabilities	<u>2,338,057</u>	<u>648,933</u>	<u>1,170,748</u>
Fund Balances:			
Reserved for:			
Land held for resale	34,618		
Prepays			1,978
Long-term advances to city			
Debt service		72,810	
Unreserved for:			
Special revenue funds	2,013,347		
Debt service funds		419,516	3,428,437
Capital projects funds			
Total Fund Balances	<u>2,047,965</u>	<u>492,326</u>	<u>3,430,415</u>
Total Liabilities and Fund Balances	<u>\$ 4,386,022</u>	<u>\$ 1,141,259</u>	<u>\$ 4,601,163</u>

See accompanying notes to financial statements.

Soboba Capital Projects	San Jacinto Capital Projects	Non-Major Governmental Fund		Total Governmental Funds
		Soboba Special Revenue		
\$ 84,374	\$ (275,953)	\$ 563,216	\$ 3,858,527	
	1,931,057		5,567,770	
			24,251	
			2,300,000	
			1,978	
		876	236,621	
	1,538,156		1,946,405	
	144,128		144,128	
	717,378		751,996	
<u>\$ 84,374</u>	<u>\$ 4,054,766</u>	<u>\$ 564,092</u>	<u>\$ 14,831,676</u>	
	\$ 45,455		\$ 59,606	
	19,647		22,302	
			1,216,681	
			600,000	
			2,324,251	
	<u>65,102</u>		<u>4,222,840</u>	
	717,378		751,996	
			1,978	
	144,128		144,128	
			72,810	
		\$ 564,092	2,577,439	
			3,847,953	
\$ 84,374	3,128,158		3,212,532	
<u>84,374</u>	<u>3,989,664</u>	<u>564,092</u>	<u>10,608,836</u>	
<u>\$ 84,374</u>	<u>\$ 4,054,766</u>	<u>\$ 564,092</u>	<u>\$ 14,831,676</u>	

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**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

Fund Balances of Governmental Funds	\$ 10,608,836
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Long-term notes receivable are not current available resources and, therefore, are deferred in the governmental funds.	2,300,000
Bond issuance costs are recognized in the governmental funds during the year in which the bonds are issued. These costs are deferred and amortized over the life of the bonds in the government-wide statements.	403,589
Long term liabilities are not due and payable in the current period, therefore, are not reported in the funds.	
Bonds payable	(9,330,200)
Other long-term debt	(26,671)
Deferred loss on refunding	27,329
Accrued interest payable	(166,791)
Net Assets of Governmental Activities	<u>\$ 3,816,092</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**

**YEAR ENDED JUNE 30, 2008**

	San Jacinto Special Revenue	Soboba Debt Service	San Jacinto Debt Service
<b>REVENUES</b>			
Taxes	\$ 1,168,354	\$ 429,436	\$ 4,673,418
Use of money and property	143,496	20,233	148,004
Other			4,034
Total Revenues	1,311,850	449,669	4,825,456
<b>EXPENDITURES</b>			
Current:			
Community development	350,920	25,429	315,577
Pass-through agreement payments		51,845	1,840,436
Debt Service:			
Principal	131,214	209,800	58,786
Interest	268,977	26,530	120,506
Total Expenditures	751,111	313,604	2,335,305
Excess (Deficiency) of Revenues Over (Under) Expenditures	560,739	136,065	2,490,151
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to the City of San Jacinto Capital Projects	(3,489,833)		
Transfers from the City of San Jacinto	3,764		
Transfers in			
Transfers out			(700,000)
Total Other Financing Sources (Uses)	(3,486,069)		(700,000)
Net Change in Fund Balances	(2,925,330)	136,065	1,790,151
Fund Balances at Beginning of Year	4,973,295	356,261	1,640,264
Fund Balances at End of Year	\$ 2,047,965	\$ 492,326	\$ 3,430,415

See accompanying notes to financial statements.

Soboba Capital Projects	San Jacinto Capital Projects	Non-Major Governmental Fund		Total Governmental Funds
		Soboba Special Revenue		
		\$	107,359	\$ 6,378,567
\$ 2,603	\$ 119,553		22,494	456,383
	62,518			66,552
<u>2,603</u>	<u>182,071</u>		<u>129,853</u>	<u>6,901,502</u>
	648,747		1,049	1,341,722
				1,892,281
				399,800
				416,013
	<u>648,747</u>		<u>1,049</u>	<u>4,049,816</u>
2,603	(466,676)		128,804	2,851,686
	(219,358)			(3,709,191)
	49,287			53,051
	700,000			700,000
				(700,000)
	<u>529,929</u>			<u>(3,656,140)</u>
2,603	63,253		128,804	(804,454)
81,771	3,926,411		435,288	11,413,290
<u>\$ 84,374</u>	<u>\$ 3,989,664</u>	<u>\$</u>	<u>564,092</u>	<u>\$ 10,608,836</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

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

**YEAR ENDED JUNE 30, 2008**

Net change in fund balances of governmental funds \$ (804,454)

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

Increases in long-term notes receivable use current financial resources and are included in the expenditures of governmental funds. Repayments of long-term notes receivable provide current financial resources and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term notes receivable. 1,061,775

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current resources financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal payments on debt 401,068

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 governmental funds.

Change in accrued interest expense 6,543  
Amortization of bond issuance costs (12,604)  
Amortization of deferred charge on refunding (1,763)

Change in net assets of governmental activities \$ 650,565

See accompanying notes to financial statements.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### Description of the Reporting Entity

The San Jacinto Redevelopment Agency (the Agency) is a component unit of the City of San Jacinto. Determination of a component unit is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and ability to significantly influence operations.

These financial statements contain only information relative to the Redevelopment Agency of the City of San Jacinto, one component unit which is an integral part of the total reporting entity. They do not contain financial data relating to the other reporting units.

The Agency was established on May 4, 1982 by the City Council of the City of San Jacinto (the City). The general objective of the Redevelopment Plan adopted by the Agency is to encourage investment in the Redevelopment Project Area by the private sector. The Redevelopment Plan provides for the demolition of buildings and improvements, the relocation of any displaced occupants, and the construction of streets, parking facilities, utilities and other public improvements. The Redevelopment Plan also includes the ability to redevelop land by private enterprise or public agencies, the rehabilitation of structures, the rehabilitation or construction of single family and low and moderate income housing, and participation by owners and tenants of properties in the Redevelopment Project.

#### Redevelopment Project Area

The Agency has established two redevelopment project areas. The Soboba Springs Project area was adopted on December 14, 1983. The intent of this redevelopment program is to facilitate the construction of the Main Street Bridge over the San Jacinto River thus removing a major constraint to circulation in the area and providing an improvement which cannot be provided without public participation.

The San Jacinto Redevelopment Project area was adopted on January 18, 1983. The project was amended in 1993. The objective of this project is for the redevelopment, development, re-planning, and redesign of blighted areas within the City which are stagnant, improperly utilized, and unproductive because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility, or usefulness, or for other causes.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

#### Government-wide and fund financial statements

The government-wide financial statements include a statement of net assets and the statement of changes in net assets which report information on all of the nonfiduciary activities of the Agency. 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 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 revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

The San Jacinto Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trust, or for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

The Soboba and San Jacinto Debt Service Funds are used to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt.

The Soboba and San Jacinto Capital Projects Funds are used to account for the financial resources segregated for the acquisition of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. Also, the Agency currently does not report any business-type activities.

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

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.

#### Deposits and investments

The government'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.

#### 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Currently, the Agency does not have any business-type activities.

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.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

#### Land held for resale

The Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop blighted properties. The Agency records these parcels as land held for resale in its financial records. The property is being carried in the San Jacinto Redevelopment Agency Special Revenue Fund and Capital Projects Fund at a net realizable value, which is equal to cost. At June 30, 2008 net realizable value for land held for resale totaled \$717,378 in the San Jacinto Capital Projects Fund and \$34,618 in the San Jacinto Special Revenue Fund with the amount offset by a reservation of fund balance.

#### Use of estimates in the preparation of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

#### Property tax calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate be generally limited to 1 % of market value, levied only by the county and shared with all other jurisdictions. The County of Riverside collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in March 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. For governmental funds, Agency property tax revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days. In the government-wide statements, revenues are recognized in the year taxes are levied.

#### 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.

#### General Budget Policies

The Board approves each year's budget submitted by the Director prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Board. Supplemental appropriations, where required during the period, are also approved by the Board. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end all operating budget appropriations lapse. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

#### New GASB Pronouncements

**GASB Statement No. 45** – In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers. This statement is not effective until June 30, 2009. The Agency has not determined its effect on the financial statements.

**GASB Statement No. 49** – In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The Agency has not determined its effect on the financial statements.

**GASB Statement No. 51** – In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The Agency has not determined its effect on the financial statements.

**GASB Statement No. 53** – In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is not effective until June 30, 2010. The Agency has not determined its effect on the financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #2 – CASH AND INVESTMENTS*

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

Statement of Net Assets	
Cash and investments	\$ 3,858,527
Cash and investments with fiscal agent	<u>5,567,770</u>
Total Cash and Investments	<u><u>\$ 9,426,297</u></u>

Cash and investments as of June 30, 2008 consist of the following:

Pooled cash with the City of San Jacinto	\$ 3,858,527
Investments	<u>5,567,770</u>
Total Cash and Investments	<u><u>\$ 9,426,297</u></u>

The Agency follows the practice of pooling cash and investments with the City for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

Interest income earned on pooled cash and investments is allocated monthly by the City to the various funds based on the month-end cash balances. Interest income from cash and investment with fiscal agent is credited directly to the related fund.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #2 – CASH AND INVESTMENTS, (Continued)*

Investments authorized by the California Government Code and the Agency's Investment Policy

Currently, the Agency follows the City of San Jacinto's investment policy. The table below identifies the investment types that are authorized for the Agency's investment policy. The table also identifies certain provisions of the Agency's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer*
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	180 days	25%	30%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 year	10%	None
Repurchase Agreements	1 year	10%	None
Medium-Term Notes	5 years	20%	None
Money Market Funds	N/A	20%	10%
Mutual Funds	N/A	18%	None
Time Deposits	N/A	25%	None
Local Agency Investment Fund	N/A	90%	None
California Asset Management Program	N/A	50%	None

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #2 – CASH AND INVESTMENTS, (Continued)*

Investments authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity*	Maximum Percentage Allowed	Maximum Investment In One Issuer*
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Funds	N/A	None	None
Investment Agreements	N/A	None	None
Certificates of Deposit, Savings Accounts	None	None	None
Municipal Obligations	None	None	None
Repurchase Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	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 Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

INVESTMENT TYPE	Remaining Maturity 12 Months Or Less
Held by bond Trustee	
Money Market Funds	\$ 5,567,770
Total	<u>\$ 5,567,770</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #2 – CASH AND INVESTMENTS, (Continued)*

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Agency's investment policy or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End
Held by bond Trustee			
Money Market Funds	\$ 5,567,770	AAA	AAA
Total	<u>\$ 5,567,770</u>		

Concentration of credit risk

The investment policy of the Agency contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. The Agency does not have any investments in anyone issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments.

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

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #2 – CASH AND INVESTMENTS, (Continued)*

Fair value of investments

GASB 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 Agency 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.

*NOTE #3 – OTHER ASSETS*

Loans Receivable

In 2006-2007 and in 2007-2008 the Agency made a loan to a developer for a low and moderate housing project. Amounts provided to the developer were for \$1,238,225 and \$1,061,775 in fiscal years 2007 and in 2008, respectively. The promissory note will accrue interest at the rate of 1% per year simple interest and shall be repaid from the cash flow of the project and shall be due and payable by the expiration or termination of the affordability covenants.

Balance  
Outstanding at  
June 30, 2008

Total

\$ 2,300,000  
\$ 2,300,000

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE #4 – LONG-TERM DEBT

#### A. Bonds Payable

A description of individual issues of bonds outstanding during the fiscal year ending June 30, 2008 is as follows:

##### San Jacinto Redevelopment Agency Tax Allocation Bonds, Series 1999

On July 15, 1999, the San Jacinto Redevelopment Agency issued \$965,000 of Tax Allocation Bonds to provide monies to finance various projects within the Soboba Project Area. The term bonds accrue interest at 6.10% and mature on September 1, 2018. Principal and interest on the bonds are payable solely from certain tax revenues allocated to the Agency. The outstanding principal balance at June 30, 2008 was \$275,200.

##### San Jacinto Redevelopment Agency Tax Allocation Bonds, Series 2005

In May of 2005, the Agency issued the \$9,430,000 San Jacinto Redevelopment Project Area Tax Allocation Bonds, Series 2005. The Bonds were issued to refund the \$3,350,000 outstanding Tax Allocation Bonds Series 1993 and to finance certain redevelopment activities of the Agency. The Bonds consist of \$2,925,000 of serial bonds and \$6,505,000 of term bonds. The serial bonds accrue interest at rates between 3.00% and 4.00% and the principal amounts mature between August 1, 2006 and August 1, 2018 in amounts ranging from \$185,000 to \$275,000. Term bonds of \$1,915,000 accrue interest at 4.50% and mature on August 1, 2024, and term bonds of \$4,590,000 accrue interest at 4.60% and mature on August 1, 2034. The principal and interest on the bonds are payable solely from certain pledged tax increment revenues allocated to the Agency. The outstanding principal balance at June 30, 2008 was \$9,055,000.

The Agency has pledged a portion of future tax increment revenues to repay the 1999 \$965,000 and the 2005 \$9.4M Tax Allocation Bonds. Tax increment revenues were projected to produce 100 percent and 100 percent, respectively, of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are \$323,695 and \$15,545,859, payable through 2013 and 2034, respectively. For the current year, principal and interest paid was \$233,133 for the 1999 Tax Allocation Bonds and \$579,484 for the 2005 Tax Allocation Bonds, and total increment tax revenues received by the Agency totaled \$6,378,567.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #4 – LONG-TERM DEBT, (Continued)*

**B. Loans From City and Others**

Eastern Municipal Water District (EMWD) - San Jacinto Project

Pursuant to a pass-through agreement dated September 20, 1983, the Agency is required to pay Eastern Municipal Water District 80 percent of the tax increment received by the San Jacinto Project from June 28, 1983 through fiscal year ended 1988 attributable to that area within the territorial limits of the District. Terms of the agreement call for forty equal annual installments of \$1,270 beginning in the fiscal year ended June 30, 1989. The total amount outstanding under the agreement at June 30, 2008 was \$26,671. In addition, \$290,695 was recorded as current pass-through payable to EMWD in the San Jacinto Project Debt Service Fund.

**C. The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2008:**

	<u>Balances at June 30, 2007</u>	<u>Retirements</u>	<u>Balances at June 30, 2008</u>	<u>Amount Due Within One Year</u>	<u>Amount Due in More than One Year</u>
<b>San Jacinto Project Area:</b>					
Tax Allocation Bonds, Issue of 2005	\$ 9,245,000	\$ (190,000)	\$ 9,055,000	\$ 195,000	\$ 8,860,000
Less deferred loss on Refunding	(29,092)	1,763	(27,329)		(27,329)
Total	<u>9,215,908</u>	<u>(188,237)</u>	<u>9,027,671</u>	<u>195,000</u>	<u>8,832,671</u>
Loan from EMWD	<u>27,939</u>	<u>(1,268)</u>	<u>26,671</u>	<u>1,270</u>	<u>25,401</u>
Total San Jacinto Project Area	<u>9,243,847</u>	<u>(189,505)</u>	<u>9,054,342</u>	<u>196,270</u>	<u>8,858,072</u>
<b>Soboba Project Area:</b>					
Tax allocation bonds, Issue of 1999	485,000	(209,800)	275,200	45,000	230,200
Total Soboba Project Area	<u>485,000</u>	<u>(209,800)</u>	<u>275,200</u>	<u>45,000</u>	<u>230,200</u>
Total Long-term Debt	<u>\$ 9,728,847</u>	<u>\$ (399,305)</u>	<u>\$ 9,329,542</u>	<u>\$ 241,270</u>	<u>\$ 9,088,272</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #4 – LONG-TERM DEBT, (Continued)*

D. The following schedule illustrates the debt service requirements to maturity for bonds and pass-through payables outstanding as of June 30, 2008:

Fiscal Year Ending June 30,	Governmental Activities			
	2005 Tax Allocation Bonds		1999 Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 195,000	\$ 383,709	\$ 45,000	\$ 15,708
2010	205,000	377,709	50,000	12,810
2011	210,000	371,484	50,000	9,760
2012	215,000	364,975	55,000	6,557
2013	220,000	357,765	60,000	3,050
2014-2018	1,230,000	1,661,375	15,200	610
2019-2023	1,495,000	1,385,200		
2024-2028	1,860,000	1,008,537		
2029-2033	2,330,000	529,460		
2034-2035	1,095,000	50,645		
Total	<u>\$ 9,055,000</u>	<u>\$ 6,490,859</u>	<u>\$ 275,200</u>	<u>\$ 48,495</u>

Ending June 30	EMWD Loan	
	Principal	Interest
2009	\$ 1,270	
2010	1,270	
2011	1,270	
2012	1,270	
2013	1,270	
2013-2017	6,350	
2018-2022	6,350	
2023-2027	6,350	
2028-2030	1,271	
	<u>\$ 26,671</u>	<u>\$ -</u>

Future debt service payments for the City loan are not disclosed above because there are no fixed payment dates.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #5 – PASS-THROUGH PAYABLES*

The Agency is a party to a cooperation agreement with the San Jacinto Unified School District for the San Jacinto Project Area. The agreement states that the Agency is to pay the District 50 percent of the tax increment revenue received from the project area during the first 20 years, with defined growth limits not to exceed 12 percent of the increase of the assessed valuation of the immediate preceding year. For the remainder of the term of the Redevelopment Plan, the Agency is to pay the District 75 percent of the tax increment revenue received from the project area with defined growth limits not to exceed 8 percent of the increase of the assessed valuation of the immediate preceding year. At June 30, 2008, \$654,943 was recorded as a pass-through payable to the School District in the San Jacinto Project Debt Service Fund. At June 30, 2008, the Agency’s total pass-through liabilities totaled \$1,216,681.

*NOTE #6 – TRANSFERS IN AND OUT*

	Transfers-Out				Totals
	From the City of San Jacinto	RDA Special Revenue	RDA San Jacinto Capital Projects	RDA Debt Service Fund	
<b>Transfers-In</b>					
To the City of San Jacinto		\$ 3,489,833	\$ 219,358		\$ 3,709,191
San Jacinto Capital Projects Fund (RDA)	\$ 49,287			\$ 700,000	749,287
RDA Special Revenue	3,764				3,764
<b>Total</b>	<b>\$ 53,051</b>	<b>\$ 3,489,833</b>	<b>\$ 219,358</b>	<b>\$ 700,000</b>	<b>\$ 4,462,242</b>

- Transfers between the Redevelopment funds to the City Capital Projects fund represent funds moved for various budgeted projects.
- Transfers from the Redevelopment Debt Service Fund to the Redevelopment Capital Projects fund represent budgeted transfers for various projects.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

*NOTE #7 – INTERFUND RECEIVABLES/PAYABLES*

	Receivable Fund			Totals
	City of San Jacinto	RDA- San Jacinto Capital Projects	RDA Special Revenue	
Payable Fund				
City Capital Projects Fund		\$ 1,538,156	\$ 408,249	\$ 1,946,405
Soboba Debt Service Fund (RDA)	\$ 600,000			600,000
Total	\$ 600,000	\$ 1,538,156	\$ 408,249	\$ 2,546,405

Interfund receivables and payables involving the City Capital Projects fund represent funds committed for various budgeted projects. The interfund receivable and payable for \$600,000 is a loan from the City to the Soboba Project Area.

Additionally, the Agency advanced the City \$144,128 during fiscal year 1994-1995 for the purpose of covering the non-City debt service requirements of Assessment District 87-1, which has been in default since that time. The balance at June 30, 2008 was \$144,128.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**BUDGETARY COMPARISON SCHEDULE  
SAN JACINTO SPECIAL REVENUE**

**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 855,000	\$ 855,000	\$ 1,168,354	\$ 313,354
Use of money and property	85,000	85,000	143,496	58,496
Total Revenues	940,000	940,000	1,311,850	371,850
<b>EXPENDITURES</b>				
Current				
Community development	394,390	570,235	350,920	219,315
Debt service:				
Principal	131,100	131,100	131,214	(114)
Interest	270,710	270,710	268,977	1,733
Total Expenditures	796,200	972,045	751,111	220,934
Excess of Revenues Over (Under) Expenditures	143,800	(32,045)	560,739	592,784
<b>OTHER FINANCING SOURCES (Uses)</b>				
Transfer to the				
City of San Jacinto Capital Projects	(1,704,275)	(4,648,082)	(3,489,833)	1,158,249
Transfers from the City of San Jacinto	20,400	20,400	3,764	(16,636)
Total Other Financing Sources (Uses)	(1,683,875)	(4,627,682)	(3,486,069)	1,141,613
Net Changes in Fund Balances	(1,540,075)	(4,659,727)	(2,925,330)	1,734,397
Fund Balances at Beginning of Year	4,973,295	4,973,295	4,973,295	
Fund Balances at End of Year	\$ 3,433,220	\$ 313,568	\$ 2,047,965	\$ 1,734,397



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

Commission Members  
San Jacinto Redevelopment Agency  
San Jacinto, California

We have audited the financial statements of the governmental activities and each major fund of San Jacinto Redevelopment Agency (the Agency), a component unit of the City of San Jacinto, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 15, 2008. 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**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of San Jacinto's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 financial statements of the Agency 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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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*.

This report is intended solely for the information and use of management, others within the organization, governing board and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

*Vasanth. Tane, Day 1 Co., LLP*

Rancho Cucamonga, California  
December 15, 2008

**SAN JACINTO REDEVELOPMENT AGENCY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS**

**JUNE 30, 2008**

<u>Finding</u>	<u>Status</u>
2007-01 Affordable Housing Expenditures	Implemented