

**CITY OF SAN JACINTO,
CALIFORNIA**

BASIC FINANCIAL STATEMENTS

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

**Prepared by:
Finance Department**

CITY OF SAN JACINTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
The City of San Jacinto, California

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of San Jacinto, California (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principals 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, the business type activities, each major fund, and the aggregate remaining fund information of the City of San Jacinto, California, as of June 30, 2008, and the respective changes in financial positions, and where applicable, cash flows thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principals 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules as listed in the table of contents, including combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Vavrek, Time, Day, Co., LLP

Rancho Cucamonga, California
March 2, 2009

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

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

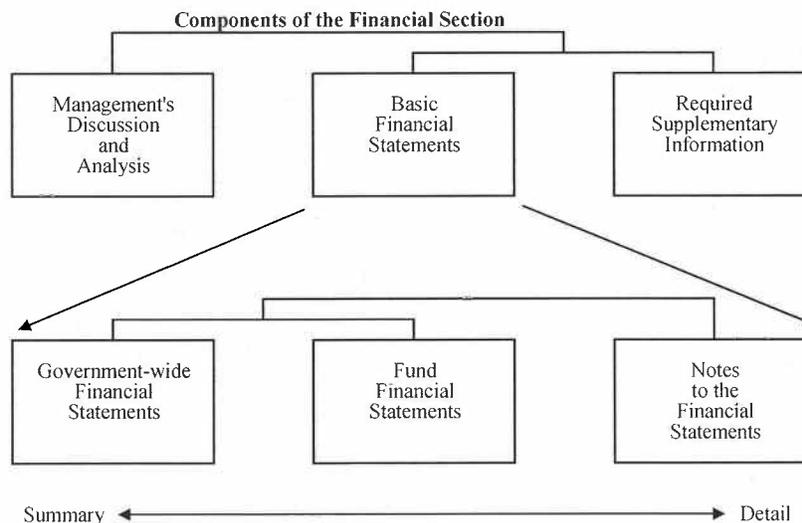
FINANCIAL HIGHLIGHTS

- On the government-wide basis, the City’s total net assets increased over the course of the fiscal year by \$20,033,069 to \$156,542,849. The net assets of governmental activities increased by \$20,314,321, or 16%, and the net assets of business-type activities decreased by \$281,252, or 3%.
- The general fund, on the fund financial statements basis, reported expenditures in excess of revenues and other financing sources and uses of \$2,261,613. The deficit was a result of the economic downturn (development activity and interest rates) and increased spending on capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management’s discussion and analysis (this portion), the basic financial statements, required supplementary information, and optional combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City.

- The government-wide financial statements provide both long-term and short-term information about the City’s overall financial status, in a manner similar to private sector business.
- Fund financial statements focus on individual parts of the City, reporting the City’s operations in more detail than the government-wide financial statements.
 - Governmental 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.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the City operates like businesses, such as utility services.
 - Fiduciary fund statements provide information about financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong.



CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

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 general fund and each major special revenue fund with an annually adopted budget. In addition to these required elements, we have included combining statements that provide details about our non-major governmental funds, which are presented in total in a column in the basic financial statements.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City'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 City'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 City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* – All of the City's basic services are included here, such as police, fire, engineering, streets, parks and recreation, history preservation, community development, redevelopment and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The City's utility services provided are funded by customer fees.

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 City's largest funds, not the City as a whole.

The City has three types of funds:

- *Governmental funds* – All of the City'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.
- *Proprietary funds* – Services for which customer fees are intended to finance the costs of operations are generally reported in proprietary funds. Proprietary funds financial statements, like the government-wide statements, provide both long-term and short-term financial information.
 - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
 - Internal service funds report activities that provide services for the City's other programs and activities, such as the City's self insurance arrangements.

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

- *Fiduciary funds* – The City is the trustee for certain assessment and community facilities district funds. It is also responsible for other trust account assets, which because of trust agreements, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percent Change</u>
	2007	2008	2007	2008	2007	2008	
Cash and investments	\$ 59,548	\$ 59,823	\$ 1,819	\$ 2,878	\$ 61,367	\$ 62,701	2.2%
Current and other assets	7,221	8,326	2,483	1,619	9,704	9,945	2.5%
Capital assets, net	87,585	102,328	11,106	10,706	98,691	113,034	14.5%
Total assets	<u>154,354</u>	<u>170,477</u>	<u>15,408</u>	<u>15,203</u>	<u>169,762</u>	<u>185,680</u>	9.4%
Long-term liabilities	15,476	12,740	4,645	4,255	20,121	16,995	(15.5)%
Other liabilities	12,144	10,687	988	1,455	13,132	12,142	(7.5)%
Total liabilities	<u>27,620</u>	<u>23,427</u>	<u>5,633</u>	<u>5,710</u>	<u>33,253</u>	<u>29,137</u>	(12.4)%
Net assets:							
Invested in capital assets, net of related debt	87,584	103,041	6,086	6,061	93,671	109,102	16.5%
Restricted	25,015	32,730			25,015	32,730	30.8%
Unrestricted	14,135	11,279	3,688	3,432	17,823	14,711	(17.5)%
Total net assets	<u>\$126,734</u>	<u>\$147,050</u>	<u>\$ 9,774</u>	<u>\$ 9,493</u>	<u>\$136,509</u>	<u>\$ 156,543</u>	14.7%

Net assets represent the difference between the City’s resources and its obligations. At June 30, 2008, the largest portion of the City’s total net assets, approximately 70 percent, reflects the investment in capital assets less related debt outstanding used to acquire the capital assets. These capital assets are used by the City to provide services to the citizens. Additional capital asset information can be found in the Capital Asset and Debt Administration section of the MD&A. Restricted net assets represent amounts that must be used in accordance with external restrictions. The unrestricted balance of net assets may be used at the City’s discretion.

Although the net assets of our business-type activities decreased by 3% to \$9,493,050, the City generally can only use these net assets to finance the continuing operations of the business-type activities.

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

City of San Jacinto
Government-wide Financial Statements - Changes in Net Assets
 For the fiscal year ended June 30, 2007 and 2008
 (in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>		
	2007	2008	2007	2008	2007	2008	<u>Change</u>
Revenues							
Program revenues:							
Charges for services	\$ 6,537	\$ 5,436	\$ 6,120	\$ 6,283	\$12,657	\$11,719	(7.4)%
Operating grants and contributions	6,948	5,918			6,948	5,918	(14.8)%
Capital grants and contributions	15,623	22,632	183		15,806	22,632	43.2%
General revenues:							
Property taxes	2,615	2,711			2,615	2,711	3.7%
Redevelopment tax increment	6,107	6,379			6,107	6,379	4.5%
Franchise taxes	1,731	1,453			1,731	1,453	(16.1)%
Sales taxes	1,656	1,987			1,656	1,987	20.0%
Motor vehicle in lieu taxes	3,150	4,096			3,150	4,096	30.0%
Other taxes	218	201			218	201	(7.8)%
Other	2,538	5,059	242	(933)	2,780	4,126	48.4%
Total revenues	<u>47,123</u>	<u>55,872</u>	<u>6,545</u>	<u>5,350</u>	<u>53,668</u>	<u>61,222</u>	14.1%
Expenses							
Governmental activities:							
General government	3,397	3,362			3,397	3,362	(1.0)%
Public safety	7,631	11,312			7,631	11,312	48.2%
Public works	6,580	5,960			6,580	5,960	(9.4)%
Community development	8,787	12,954			8,787	12,954	47.4%
Culture and leisure	1,596	1,519			1,596	1,519	(4.8)%
Interest on long-term debt	470	451			470	451	(4.0)%
Business-type activities:							
Water			2,542	2,640	2,542	2,640	3.9%
Solid waste			2,145	2,411	2,145	2,411	12.4%
Sewer			386	580	386	580	50.3%
Total expenses	<u>28,461</u>	<u>35,558</u>	<u>5,073</u>	<u>5,631</u>	<u>33,534</u>	<u>41,189</u>	22.8%
Increase (decrease) in net assets	<u>\$ 18,662</u>	<u>\$ 20,314</u>	<u>\$ 1,472</u>	<u>\$ (281)</u>	<u>\$20,134</u>	<u>\$20,033</u>	(0.5)%

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Revenue

The City's total revenue was \$61,222,316 for the year ended June 30, 2008. Revenue from governmental activities totaled \$55,872,422 and revenue from business-type activities totaled \$5,349,894. During 2008, capital contributions and grants, restricted to the construction of capital assets, comprised 37 percent of the total revenue of the City, taxes and other general revenues provided 34 percent of the total revenue of the City, and charges for services and operating contributions and grants provided 29 percent of the total revenue of the City.

The majority of the decreases in certain revenues from 2007 to 2008 can be attributed to the economic slow-down and decrease in growth in construction and development activity.

Expenses

The City's expenses totaled \$41,189,247 for the year. Governmental activity expenses totaled \$35,558,101, or 86 percent of total expenses. Business-type activities incurred \$5,631,146 of expenses during the year, or 14 percent of total expenses.

The majority of the increase in public safety expenses relates to an increase in contract police and fire services, as well as a misclassification in 2007. The majority of the increase in community development expenses relates to increased redevelopment expenditures and pass-through payments.

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities, and reflects the financial burden that was placed on the City's taxpayers by each of the programs.

City of San Jacinto
Government-wide Financial Statements - Net Cost of Governmental Activities
 For the fiscal year ended June 30, 2007 and 2008
 (in thousands)

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	<u>2007</u>	<u>2008</u>		<u>2007</u>	<u>2008</u>	
General government	\$ 3,397	\$ 3,362	(1.0)%	\$ 1,306	\$ (834)	(163.9)%
Public safety	7,631	11,312	48.2%	2,898	(8,287)	(386.0)%
Public works	6,580	5,960	(9.4)%	(5,057)	13,797	(372.8)%
Community development	8,787	12,954	47.4%	(1,749)	(4,343)	148.3%
Culture and leisure	1,596	1,519	(4.8)%	1,486	(1,454)	(197.8)%
Total	<u>\$ 27,991</u>	<u>\$ 35,107</u>	25.4%	<u>\$ (1,117)</u>	<u>\$ (1,121)</u>	0.4%

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

The cost for all governmental activities this year was \$35,107,510. The City's taxpayers paid for approximately 47 percent of these costs. Fees, grants and contributions funded the balance of the costs of governmental activities.

Business-type Activities

Charges for services of the City's business-type activities totaled \$6,282,513. Expenses of business-type activities were \$5,631,146. Capital grants and contributions were not received in the water, solid waste and sewer activities to finance capital improvements. The costs of capital improvements are reported as capital assets in the statement of net assets, rather than as expenses in the statement of activities.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

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

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported combined fund balances at June 30, 2008 of \$55,943,687, an increase of \$5,454,650 over the previous fiscal year. Within the change of combined fund balances, the General Fund decreased by \$2,261,613, related to the economic downturn and decrease in construction and development activity within the City, and an increase in capital project expenditures.

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

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

	2007	2008	Percent Change
Reserved for:			
Long-term advances to other funds	\$ 435	\$ 435	0.0%
Long-term receivables	211		(100.0)%
Land held for resale	752	752	0.0%
Debt service	73		(100.0)%
Deposits	1		(100.0)%
Developer reimbursement		279	100.0%
Prepays	22	25	13.6%
Total reserved fund balances	1,494	1,491	(0.2)%
 Unreserved:			
Designated:			
Capital projects	5,189	12,353	138.1%
Contingency	3,000	6,068	102.3%
Development services	4,000	3,400	(15.0)%
Debt service	750		(100.0)%
Equipment replacement	1,000		(100.0)%
Total unreserved, designated fund balances	13,939	21,821	56.5%
 Unreserved:			
Undesignated, reported in:			
General fund	11,973	1,078	(91.0)%
Special revenue funds	17,775	15,680	(11.8)%
Debt service funds	1,490	3,485	133.9%
Capital projects funds	3,818	12,389	224.5%
Total unreserved, undesignated fund balance	35,056	32,632	(6.9)%
 Total fund balances	\$ 50,489	\$ 55,944	10.8%

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the City revised the City budget with adjustments for revenue and expenditure appropriations approved after the original budget was adopted.

Certain capital project appropriations originally budgeted but not expended in fiscal year 2007 were re-appropriated in 2008 as part of the City's capital budget.

After taking into account these adjustments, actual expenditures were \$1,629,457 lower than final budget amounts. The most significant positive variance, \$1,271,502, resulted from decreased community development expenditures due to the decrease in construction and development activity. Most of the other budget-to-actual variance for expenditures was due to careful spending across all areas of operation.

Resources available for appropriation were \$258,583 above the final budgeted amount. The following significant revenue sources were different than anticipated:

- Property, real estate transfer and other tax collections were higher; and
- Licenses, permits and other construction/development-related revenues were lower.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the City had invested \$113,034,052 in a broad range of capital assets, including police and fire equipment, buildings, parks and park improvements, roads, bridges, and water, solid waste and sewer utility systems.

City of San Jacinto
Capital Assets
As of June 30, 2007 and 2008
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Capital assets not being depreciated:						
Land and improvements	\$ 2,039	\$ 2,231	\$ 55	\$ 55	\$ 2,094	\$ 2,286
Construction in progress	7,193	7,590			7,193	7,590
Depreciable capital assets:						
Buildings and system	3,838	6,618	8,728	8,343	12,566	14,961
Machinery and equipment	1,119	2,590	527	496	1,646	3,086
Improvements other than buildings	1,617	1,560	1,796	1,812	3,413	3,372
Infrastructure	71,780	81,739			71,780	81,739
Total	<u>\$ 87,586</u>	<u>\$ 102,328</u>	<u>\$ 11,106</u>	<u>\$ 10,706</u>	<u>\$ 98,692</u>	<u>\$ 113,034</u>

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

This year’s major capital asset additions included:

Government-wide, governmental activities:

- Five road rehabilitation and widening projects completed at a final cost of \$5,288,694.
- Two curb/gutter/sidewalk projects completed at a final cost of \$703,481.
- Replacement vehicles for various departments purchased for a combined amount of \$329,597. In addition, a vactor truck and street sweeper were purchased for \$200,860 and \$249,926, respectively.
- \$7,677,516 of street and storm drain improvements contributed to the City by developers developing residential housing within the City.

More detailed information about the City’s capital assets is presented in Note 3 to the financial statements.

Long-term Debt

At June 30, 2008, the City had \$19,664,465 in long-term debt outstanding. More detailed information about the City’s total long-term liabilities is presented in Note 6 to the financial statements.

**City of San Jacinto
Outstanding Debt**
As of June 30, 2007 and 2008
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue and other bonds, net	\$ 9,701	\$ 9,303	\$ 5,020	\$ 4,645	\$ 14,721	\$ 13,948
Special assessment debt with government commitment, including unpaid interest	1,634	1,634			1,634	1,634
Loans payable	1,291	155			1,291	155
Capital leases		712				712
Unfunded pension liability	2,681	2,554			2,681	2,554
Claims and judgments	470	427			470	427
Compensated absences	191	213	19	21	210	234
Total	<u>\$ 15,968</u>	<u>\$ 14,998</u>	<u>\$ 5,039</u>	<u>\$ 4,666</u>	<u>\$ 21,007</u>	<u>\$ 19,664</u>

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

The City's maintains excellent credit ratings on its insured revenue bonds. The following are the ratings at the date of bond issuance as determined by Moody's Investors Service, Standard and Poors and Fitch rating agencies.

	<u>Moody's</u>	<u>S & P</u>	<u>Fitch</u>
Insured Issues:			
1997 Water Revenue Bonds	AAA	AAA	Not rated
2002 Water Refunding Revenue Bonds	Not rated	AAA	AAA
2006 San Jacinto Redevelopment Agency Tax Allocation Bonds	Not rated	AAA	Not rated

Non-Insured Issues:

- San Jacinto Redevelopment Agency Tax Allocation Bonds, Series 1999

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City is facing significant financial challenges in the years ahead. Developments and home sales have dropped drastically compared to the last few years. The City is focusing on potential commercial growth, as well as special benefit assessments to fund additional services, rather than taxes. Major items expected to affect the budget include:

- Annexation of developments into new Lighting, Landscape and Park Districts and Community Facilities Districts to provide funding for increased park maintenance, police and fire protection, sewer lift stations, and streets, roads and highways maintenance.
- Continuing efforts to attract new businesses and increase the sales tax base.

Unreserved and undesignated General Fund totals \$1,077,772 at June 30, 2008.

The General Fund budget for 2008/09 appropriates \$22,997,205, a decrease of 11 percent below the prior year. Transfers of \$5,731,682 and \$400,000 from Capital Projects Reserve and Development Services Reserve, respectively, are included in the budget.

Per City resolution, City utility rates for water, sewer and solid waste services are scheduled to increase every other year. City utility rates were not increased for fiscal year 2008/09, even though rates with contractual entities did increase.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of San Jacinto Department of Finance, Accounting Division, PO Box 488, San Jacinto, CA 92583, or visit the City's web page at www.ci.san-jacinto.ca.us/.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SAN JACINTO

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 54,145,469	\$ 2,644,286	\$ 56,789,755
Cash and investments with fiscal agent	5,677,580	234,018	5,911,598
Receivables:			
Accounts, net	205,871	848,573	1,054,444
Interest	313,201		313,201
Taxes	2,608,579		2,608,579
Notes	2,300,000		2,300,000
Due from other governments	1,648,504	9,010	1,657,514
Deposits with others	529,842		529,842
Prepays	24,534	4,398	28,932
Internal balances	(459,952)	459,952	
Inventories		30,989	30,989
Land held for resale	751,996		751,996
Deferred charges	403,589	266,049	669,638
Capital assets:			
Land and construction in progress	9,820,861	55,222	9,876,083
Other capital assets, net of depreciation	92,507,146	10,650,823	103,157,969
Total Assets	<u>170,477,220</u>	<u>15,203,320</u>	<u>185,680,540</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,260,775	760,312	5,021,087
Accrued wages	198,082	59,965	258,047
Accrued interest payable	166,791	60,716	227,507
Due to other governments	1,342,394		1,342,394
Retentions payable	293,997		293,997
Unearned revenues	2,167,301		2,167,301
Deposits payable		184,277	184,277
Noncurrent liabilities:			
Due within one year	2,684,578	390,000	3,074,578
Due in more than one year	12,313,503	4,255,000	16,568,503
Total Liabilities	<u>23,427,421</u>	<u>5,710,270</u>	<u>29,137,691</u>
NET ASSETS			
Invested in capital assets, net of related debt	103,040,662	6,061,045	109,101,707
Restricted for:			
Public safety	952,201		952,201
Capital projects	14,130,627		14,130,627
Community development	14,159,823		14,159,823
Debt service	3,487,134		3,487,134
Unrestricted	11,279,352	3,432,005	14,711,357
Total Net Assets	<u>\$ 147,049,799</u>	<u>\$ 9,493,050</u>	<u>\$ 156,542,849</u>

See accompanying notes to financial statements.

CITY OF SAN JACINTO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 3,361,546		\$ 2,527,329	
Public safety	11,312,347	\$ 1,935,535	811,834	\$ 278,164
Public works	5,960,400	74,810	1,510,901	18,171,356
Community development	12,954,316	3,425,267	1,068,189	4,117,936
Culture and leisure	1,518,901			65,107
Interest on long-term debt	450,591			
Total Governmental Activities	35,558,101	5,435,612	5,918,253	22,632,563
Business-type activities:				
Water	2,640,680	3,258,412		
Solid waste	2,410,688	2,347,851		
Sewer	579,778	676,250		
Total Business-Type Activities	5,631,146	6,282,513		
Total	\$ 41,189,247	\$ 11,718,125	\$ 5,918,253	\$ 22,632,563

General Revenues:

Taxes:

- Property tax, levied for general purpose
- Property tax, Redevelopment Agency tax increment
- Transient occupancy taxes
- Franchise tax
- Sales tax
- Motor vehicle in lieu tax

Other taxes

Gain

Unrestricted investment earnings

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See accompanying notes to financial statements.

Net Revenue (Expense) and Change in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (834,217)		\$ (834,217)
(8,286,814)		(8,286,814)
13,796,667		13,796,667
(4,342,924)		(4,342,924)
(1,453,794)		(1,453,794)
(450,591)		(450,591)
(1,571,673)		(1,571,673)
	\$ 617,732	617,732
	(62,837)	(62,837)
	96,472	96,472
	651,367	33,635
(1,571,673)	651,367	(1,538,038)
2,710,586		2,710,586
6,378,567		6,378,567
28,323		28,323
1,453,404		1,453,404
1,987,418		1,987,418
4,095,757		4,095,757
172,876		172,876
1,495,778	186,251	1,682,029
2,313,974	130,441	2,444,415
1,249,311	(1,249,311)	
21,885,994	(932,619)	20,953,375
20,314,321	(281,252)	20,033,069
126,735,478	9,774,302	136,509,780
\$ 147,049,799	\$ 9,493,050	\$ 156,542,849

FUND FINANCIAL STATEMENTS

CITY OF SAN JACINTO

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2008

	General	Special Revenue Redevelopment Special Revenue	Capital Projects Community Facilities District #2
ASSETS			
Cash and investments	\$ 16,582,704		\$ 12,153
Cash and investments with fiscal agent	108,894	\$ 3,552,070	
Receivables:			
Accounts	180,607		
Interest	288,950	24,251	
Taxes	181,330	53,933	
Prepays	22,556		
Due from other governments	271,508		
Due from other funds	7,370,944	408,249	
Notes receivable		2,300,000	
Advances to other funds	291,129		
Land held for resale		34,618	
Total Assets	<u>\$ 25,298,622</u>	<u>\$ 6,373,121</u>	<u>\$ 12,153</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,913,482	\$ 11,151	
Accrued payroll	162,805	2,655	
Retentions payable			
Due to other funds		1,423,007	
Due to other governments			
Deferred revenue	9,735	2,324,251	
Advances from other funds			
Total Liabilities	<u>2,086,022</u>	<u>3,761,064</u>	
Fund Balances:			
Reserved for:			
Land held for resale		34,618	
Advances to other funds	291,129		
Prepays	22,556		
Developer reimbursement			
Unreserved, reported in:			
General fund	22,898,915		
Special revenue funds		2,577,439	
Debt service fund			
Capital projects funds			\$ 12,153
Total Fund Balances	<u>23,212,600</u>	<u>2,612,057</u>	<u>12,153</u>
Total Liabilities and Fund Balances	<u>\$ 25,298,622</u>	<u>\$ 6,373,121</u>	<u>\$ 12,153</u>

See accompanying notes to financial statements.

Capital Projects			Debt Service		Total Non-Major Governmental Funds	Total Governmental Funds
City Capital Projects	Highway 79 Capital Projects	Fire Station Construction	Redevelopment Debt Service	Assessment District 87-1 Debt Service		
\$ 18,350,938			\$ 5,473,113		\$ 13,179,119	\$ 53,598,027
			84,643	\$ 916	1,931,057	5,677,580
					25,264	205,871
						313,201
			182,688	1,633,491	396,171	2,447,613
			1,978			24,534
					1,376,996	1,648,504
14,334,855	\$ 4,737,846				20,697,147	47,549,041
						2,300,000
					144,128	435,257
					717,378	751,996
<u>\$ 32,685,793</u>	<u>\$ 4,737,846</u>		<u>\$ 5,742,422</u>	<u>\$ 1,634,407</u>	<u>\$ 38,467,260</u>	<u>\$ 114,951,624</u>
\$ 1,607,949			\$ 3,000		\$ 690,656	\$ 4,226,238
					32,622	198,082
293,997						293,997
30,783,847	\$ 161,961		600,000	\$ 1,266	15,038,912	48,008,993
			1,216,681		125,713	1,342,394
				1,633,491	535,499	4,502,976
				435,257		435,257
<u>32,685,793</u>	<u>161,961</u>		<u>1,819,681</u>	<u>2,070,014</u>	<u>16,423,402</u>	<u>59,007,937</u>
					717,378	751,996
					144,128	435,257
			1,978			24,534
					279,124	279,124
						22,898,915
					13,102,027	15,679,466
			3,920,763	(435,607)		3,485,156
	4,575,885				7,801,201	12,389,239
	<u>4,575,885</u>		<u>3,922,741</u>	<u>(435,607)</u>	<u>22,043,858</u>	<u>55,943,687</u>
<u>\$ 32,685,793</u>	<u>\$ 4,737,846</u>	<u>\$ -</u>	<u>\$ 5,742,422</u>	<u>\$ 1,634,407</u>	<u>\$ 38,467,260</u>	<u>\$ 114,951,624</u>

CITY OF SAN JACINTO

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund Balances of Governmental Funds	\$ 55,943,687
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets not being depreciated	9,820,861
Capital assets being depreciated	152,362,099
Accumulated depreciation	(59,854,953)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred charges	403,589
Long-term liabilities applicable to governmental activities are not due and are payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets.	
Compensated absences	(212,796)
Tax allocation bonds	(9,330,200)
Special assessment debt	(1,633,491)
Pension liability	(2,553,914)
Loans payable	(155,462)
Capital Leases	(712,655)
Deferred loss on refunding	27,329
Accrued interest-tax allocation bonds	(166,791)
Deferred revenue balances relating to certain accounts and loans receivable are not reported as deferred revenue in the Statement of Net Assets since recognition is not based upon measurable and available criteria.	
Low & Moderate Housing Loans Receivable	2,300,000
Due From Other Governments	35,675
Sales Tax Receivable	160,966
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds must be added to the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria.	
Fund net assets of Internal Service Funds	615,855
Net Assets of Governmental Activities	\$ 147,049,799

See accompanying notes to financial statements.

CITY OF SAN JACINTO

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2008

	General	Special Revenue Redevelopment Special Revenue	Capital Projects Community Facilities District #2
REVENUES			
Taxes	\$ 6,149,722	\$ 1,275,713	
Assessments			
Licenses and permits	1,196,395		
Fines and forfeitures	147,026		
Development fees			
Intergovernmental	4,356,873		
Charges for services	1,080,185		
Use of money and property	998,928	165,990	\$ 533
Other	3,712,906		
Total Revenues	17,642,035	1,441,703	533
EXPENDITURES			
Current:			
General government	2,391,206		
Public safety	8,487,136		
Public works	994,105		
Community development	2,733,799	351,973	
Culture and leisure	860,291		
Pass through payments			
Debt service:			
Principal	43,465	131,214	
Interest	13,533	268,977	
Capital outlay	844,615		
Total Expenditures	16,368,150	752,164	
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,273,885	689,539	533
OTHER FINANCING SOURCES (USES)			
Capital lease	523,000		
Transfers in	954,735	3,764	
Transfers out	(5,013,233)	(3,489,829)	
Total Other Financing Sources (Uses)	(3,535,498)	(3,486,065)	
Net Change in Fund Balances	(2,261,613)	(2,796,526)	533
Fund Balances at Beginning of Year	25,474,213	5,408,583	11,620
Fund Balances at End of Year	\$ 23,212,600	\$ 2,612,057	\$ 12,153

See accompanying notes to financial statements.

City Capital Projects	Capital Projects		Debt Service		Total Non-Major Governmental Funds	Total Governmental Funds
	Highway 79 Capital Projects	Fire Station Construction	Redevelopment Debt Service	Assessment District 87-1 Debt Service		
			\$ 5,102,854		\$ 1,617,259	\$ 14,145,548
					5,516,701	5,516,701
						1,196,395
					208,204	355,230
					2,154,643	2,154,643
	\$ 5,300,000				5,925,322	15,582,195
						1,080,185
	180,851	\$ 436	168,237	\$ 35	1,043,591	2,558,601
			4,034		956,776	4,673,716
	5,480,851	436	5,275,125	35	17,422,496	47,263,214
			344,203	2,800	45,375	2,783,584
					2,626,408	11,113,544
					740,984	1,735,089
					3,949,104	7,034,876
					658,610	1,518,901
			1,892,281			1,892,281
			268,586		1,153,422	1,596,687
			143,839		16,418	442,767
\$ 14,873,809					628,107	16,346,531
14,873,809			2,648,909	2,800	9,818,428	44,464,260
(14,873,809)	5,480,851	436	2,626,216	(2,765)	7,604,068	2,798,954
					252,000	775,000
14,873,809					1,101,393	16,933,701
	(904,966)	(10,744)	(700,000)		(4,934,233)	(15,053,005)
14,873,809	(904,966)	(10,744)	(700,000)		(3,580,840)	2,655,696
	4,575,885	(10,308)	1,926,216	(2,765)	4,023,228	5,454,650
		10,308	1,996,525	(432,842)	18,020,630	50,489,037
\$ -	\$ 4,575,885	\$ -	\$ 3,922,741	\$ (435,607)	\$ 22,043,858	\$ 55,943,687

CITY OF SAN JACINTO

**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 - Total Governmental Funds \$ 5,454,650

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 as depreciation expense or allocated to the appropriate functional
expense when the cost is below the capitalization threshold. Additionally, capital
contributions are reported as program revenues in the Statement of Activities.

This activity is reconciled as follows:

Cost of assets capitalized less disposals	11,474,326
Depreciation expense	(4,409,628)
Capital contributions-Infrastructure through development projects	7,677,516

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the fund.

Loans receivable	1,061,775
Intergovernmental receivables	(1,409,403)
Sales taxes receivable	30,009

Long-term debt proceeds provide current financial resources to Governmental
Funds, but issuing debt increases long-term liabilities in the Government-Wide
Statement of Net Assets. Principal repayments of long-term debt are
expenditures/uses in the Governmental Funds, but they reduce long-term
liabilities in the Government-Wide Statement of Net Assets. This is the
amount by which repayments exceeds proceeds.

Principal repayments:

Bonds	399,800
Loans	1,135,810
Unfunded pension liability	126,763
Capital Leases	62,345
New debt:	
Capital Leases	(775,000)

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.

Compensated absences	(21,519)
Amortization of deferred costs	(14,367)
Accrued interest on bonds	6,543

Internal Service Funds are used by management to charge the cost of insurance
to individual funds. The net revenue of the Internal Service Funds are reported
with governmental activities.

(485,299)

Change in Net Assets of Governmental Activities

\$ 20,314,321

PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public be financed or recovered primarily through user charges. The following have been classified as major Enterprise Funds:

Water - To account for revenues and expenses of the operations for the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing collection and depreciation.

Solid Waster - To account for revenues and expenses of the operations for the City's solid waste management.

Sewer - To account for the revenues and expenses for the maintenance, repair, and depreciation of the sewers within the City.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of the City to other departments or agencies on a cost reimbursement basis.

CITY OF SAN JACINTO

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2008

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water	Solid Waste	Sewer		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,106,619	\$ 809,744	\$ 727,923	\$ 2,644,286	\$ 547,442
Cash and cash investments with fiscal agents	234,018			234,018	
Receivables, net:					
Accounts	467,305	303,492	77,776	848,573	
Deposits with others					529,842
Due from other funds	373,154		86,798	459,952	
Prepays	1,466	1,466	1,466	4,398	
Due from other governments		9,010		9,010	
Inventories	30,989			30,989	
Total Current Assets	<u>2,213,551</u>	<u>1,123,712</u>	<u>893,963</u>	<u>4,231,226</u>	<u>1,077,284</u>
Non-current assets:					
Deferred charges	266,049			266,049	
Capital assets:					
Land	55,222			55,222	
Buildings and system	6,747,489		3,172,106	9,919,595	
Machinery and equipment	1,443,388		430,856	1,874,244	
Improvements other than buildings	2,627,835			2,627,835	
Less accumulated depreciation	(3,213,832)		(557,019)	(3,770,851)	
Total Non-Current Assets	<u>7,926,151</u>	<u></u>	<u>3,045,943</u>	<u>10,972,094</u>	<u></u>
Total Assets	<u>10,139,702</u>	<u>1,123,712</u>	<u>3,939,906</u>	<u>15,203,320</u>	<u>1,077,284</u>
LIABILITIES					
Current liabilities:					
Accounts payable	439,834	314,619	5,859	760,312	34,537
Accrued wages	37,526	4,203	18,236	59,965	
Accrued interest	60,716			60,716	
Deposits payable	184,277			184,277	
Claims payable					426,892
Bonds payable - current	390,000			390,000	
Total Current Liabilities	<u>1,112,353</u>	<u>318,822</u>	<u>24,095</u>	<u>1,455,270</u>	<u>461,429</u>
Non-current liabilities:					
Bonds payable	4,255,000			4,255,000	
Total Non-Current Liabilities	<u>4,255,000</u>	<u></u>	<u></u>	<u>4,255,000</u>	<u></u>
Total Liabilities	<u>5,367,353</u>	<u>318,822</u>	<u>24,095</u>	<u>5,710,270</u>	<u>461,429</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,405,102		3,045,943	6,451,045	
Unrestricted	1,367,247	804,890	869,868	3,042,005	615,855
Total Net Assets	<u>\$ 4,772,349</u>	<u>\$ 804,890</u>	<u>\$ 3,915,811</u>	<u>\$ 9,493,050</u>	<u>\$ 615,855</u>

See accompanying notes to financial statements.

CITY OF SAN JACINTO

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Fund			Total	Governmental
	Water	Solid Waste	Sewer		Activities - Internal Service Fund
OPERATING REVENUES					
Sales and charges for services	\$ 3,258,412	\$ 2,347,851	\$ 676,250	\$ 6,282,513	\$ 344,006
Miscellaneous	1,326	129,115		130,441	2,285
Total Operating Revenues	3,259,738	2,476,966	676,250	6,412,954	346,291
OPERATING EXPENSES					
Personnel services	375,704	30,629	130,165	536,498	
Employee benefits	189,078	16,767	82,855	288,700	
Office expense	202,205	25,792	36,630	264,627	3,033
Depreciation	344,728		161,390	506,118	
Outside services	155,177	1,960,966	20,144	2,136,287	226,194
Repairs and maintenance	166,591		52,520	219,111	13,270
Utilities	462,949		2,112	465,061	
Franchises		348,849		348,849	
Overhead allocations	473,198	3,071	101,910	578,179	
Bad debt		24,614	(7,948)	16,666	
Claims and judgments					22,573
Total Operating Expenses	2,369,630	2,410,688	579,778	5,360,096	265,070
Operating Income	890,108	66,278	96,472	1,052,858	81,221
NON-OPERATING REVENUES (EXPENSES)					
Interest income	113,405	32,562	40,284	186,251	64,865
Interest and fiscal charges	(261,008)			(261,008)	
Amortization of deferred revenues (expenses)	(10,042)			(10,042)	
Total Non-Operating Revenues (Expenses)	(157,645)	32,562	40,284	(84,799)	64,865
Income before transfers	732,463	98,840	136,756	968,059	146,086
Transfers in	101,027	1,460	50,155	152,642	
Transfers out	(814,689)		(587,264)	(1,401,953)	(631,385)
Change in Net Assets	18,801	100,300	(400,353)	(281,252)	(485,299)
Net Assets at Beginning of Year	4,753,548	704,590	4,316,164	9,774,302	1,101,154
Net Assets at End of Year	\$ 4,772,349	\$ 804,890	\$ 3,915,811	\$ 9,493,050	\$ 615,855

See accompanying notes to financial statements.

CITY OF SAN JACINTO

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities- Enterprise Fund			Total	Governmental
	Water	Solid Waste	Sewer		Activities - Internal Service Fund
Cash flows from operating activities:					
Cash received from customers	\$ 3,338,637	\$ 2,470,942	\$ 655,275	\$ 6,464,854	\$ 303,009
Cash payments to suppliers	(1,390,977)	(2,381,525)	(295,596)	(4,068,098)	(427,396)
Cash payments to employees for services	(374,521)	148,997	(116,474)	(341,998)	
Net Cash Provided By (Used for)					
Operating Activities	1,573,139	238,414	243,205	2,054,758	(124,387)
Cash flows from non-capital financing activities:					
Advances from other funds, Advances to other funds	(387,172)	1,460	(89,845)	(475,557)	(631,385)
Cash flows from capital and related financing activities:					
Acquisition of construction of capital assets	(77,588)		(28,310)	(105,898)	
Principal payments - bonds	(375,000)			(375,000)	
Interest and fiscal charges	(254,917)			(254,917)	
Net Cash Provided by (used for) Capital and Related Financing Activities	(707,505)		(28,310)	(735,815)	
Cash flows from investing activities:					
Interest income received	131,636	36,597	48,362	216,595	74,164
Net Increase (decrease) in Cash and Cash Equivalents	610,098	276,471	173,412	1,059,981	(681,608)
Cash and cash equivalents at beginning of year	730,539	533,273	554,511	1,818,323	1,229,050
Cash and cash equivalents at end of year	\$ 1,340,637	\$ 809,744	\$ 727,923	\$ 2,878,304	\$ 547,442
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income:	\$ 890,108	\$ 66,278	\$ 96,472	\$ 1,052,858	\$ 81,221
Adjustments to reconcile operating income to net income provided by (used for) operating activities:					
Depreciation	344,728		161,390	506,118	
(Increase) decrease in assets:					
Accounts receivable	78,899	(5,270)	(28,923)	44,706	
Due from other governments		(754)		(754)	
Deposits with others					(187,831)
Prepays	(1,466)	(1,466)	(1,466)	(4,398)	
Increase (decrease) in liabilities:					
Accounts payable	255,785	178,986	2,041	436,812	25,505
Accrued wages	1,183	640	13,691	15,514	
Deposits payable	3,902			3,902	
Claims payable					(43,282)
Total Adjustments	683,031	172,136	146,733	1,001,900	(205,608)
Net Cash Provided By Operating Activities	\$ 1,573,139	\$ 238,414	\$ 243,205	\$ 2,054,758	\$ (124,387)

See accompanying notes to financial statements.

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments.

CITY OF SAN JACINTO

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

JUNE 30, 2008

ASSETS

Cash and investments	\$	5,816,902
Cash and investments with fiscal agents		1,788,094
Receivables:		
Accounts		270,005
Due from other governments		8,186
Total Assets	\$	<u>7,883,187</u>

LIABILITIES

Accounts payable	\$	2,733,015
Deposits payable		694,482
Due to others		1,502,844
Due to bond holders		2,952,846
Total Liabilities	\$	<u>7,883,187</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of San Jacinto was incorporated on April 20, 1888 under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member board. As required by generally accepted accounting principals, these financial statements present the City of San Jacinto (the primary government) and its component units. The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City of San Jacinto.

Blended Component Units

Redevelopment Agency of the City of San Jacinto

The Redevelopment Agency of the City of San Jacinto was established on May 4, 1982 pursuant to provisions of the California Health and Safety Code. The Agency is governed by a five-member board that is the City Council of the City of San Jacinto. Although it is legally separate from the City of San Jacinto, the Redevelopment Agency of the City of San Jacinto is reported as if it were part of the primary government because the Agency's governing body is the same as the governing body of the primary government, and the Agency's sole purpose is to redevelop and rebuild facilities within the City of San Jacinto and to provide safer and more efficient service for the residents of the City of San Jacinto.

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, replanning, 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.

San Jacinto Financing Authority

The San Jacinto Financing Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act. The City and the Agency formed the Authority by the execution of a joint exercise of powers agreement dated as of May 25, 1993, and amended and restated in its entirety on May 19, 1997 by and between the City and the Agency. Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to provide funds to make loans to public entities; such revenue bonds are to be repaid from the repayments of such loans. The Authority is presented as a blended component because the Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor of the City is the Chairperson of the Authority. The City Manager acts as the Executive Director, the City Clerk acts as the Secretary and the Finance Director of the City acts as the Treasurer of the Authority.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

Industrial Development Authority

The Industrial Development Authority of the City of San Jacinto was activated by the City Council of the City of San Jacinto. The Authority is presented as a blended component unit because it is governed by a five-member board which consists of all members of the City Council. The purpose of the Industrial Development Authority is to assist the community in industry development by providing a financing mechanism to encourage such development in the City.

Only the Redevelopment Agency of the City of San Jacinto issues separate component unit financial statements. These statements can be obtained at City Hall, located at 595 S. San Jacinto Avenue, San Jacinto, California 92583.

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 user 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, including special assessments, 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. In the statement of activities, Internal Service Fund transactions have been eliminated; however, those transactions between the governmental and business-type activities have not been eliminated.

Separate financial statements are provided for governmental, 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

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 proprietary fund and 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 revenues susceptible to accrual within the 60 days include sales tax, state gasoline taxes, utility users' tax, 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, except those required to be accounted for in another fund.

The Redevelopment Special Revenue Fund is used to account for the 20% set-aside for low-moderate income projects. Monies in this fund are restricted to low-moderate income projects.

The Community Facilities District #2 Capital Projects Fund is used to account for the activity in the District.

City Capital Project Funds are used to account for construction from various sources.

The Highway 79 Capital Projects Fund is used to account for the improvements to Highway 79.

The Fire Station Construction Capital Projects Fund is used to account for the construction of the new fire station.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

The Redevelopment Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for the City's Redevelopment project areas.

The Assessment District 87-1 Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for the Assessment District 87-1.

The City reports the following major proprietary funds:

Water Fund – Is used to account for the provision of water services to the residences and businesses of the City.

Sewer Fund – Is used to account for the revenues and expenses in connection with the operation and improvement of the City's sewer system.

Solid Waste Fund – Is used to account for the provision of solid waste services to the residences and businesses of the City.

Additionally, the City reports the following fund types:

Internal Service Funds – Are used to account for the resources, goods, and services that are provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City's Internal Service Fund accounts for Workers Compensation and General Liability Insurance services.

Agency Funds – Are used to account for the resources held by the City in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Enterprise Funds are charges for goods and services. Operating expenses for these same Enterprise Funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's fiduciary funds include Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

Accounting for Encumbrances

The encumbrance system of accounting is used wherein encumbrances outstanding at year-end are not reported as expenditures, but are reported as a reservation of fund balance for subsequent year expenditures based on the encumbered appropriation authority carried over. An encumbrance is recorded as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received, as required by generally accepted accounting principals.

Cash and Investments

For purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption that cash and investments in the Enterprise and Internal Service Funds are cash and cash equivalents.

Cash and Investments with Fiscal Agent

Cash and investments restricted as to their use either by bond resolution or by the funding source to a specific purpose are classified as restricted cash and investments.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

Inventories

The City uses the consumption method of accounting for inventories.

Land Held for Resale

The Redevelopment Agency of the City of San Jacinto 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 currently equal to cost. At June 30, 2008, net realizable value for land held for resale totaled \$717,378 in the Capital Projects Fund and \$34,618 in the Redevelopment Special Revenue Fund with these amounts offset by a reservation of fund balance.

Judgments and Claims

The City utilizes its internal service funds to account for judgments and claims. Self-insurance claims payable of \$234,423 and \$192,469, respectively, are recorded for Workers' Compensation and Liability for the Internal Service Fund.

Compensated Absences

The City utilizes the General Fund to account for its compensated absences. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave.

Sick leave is payable when an employee is unable to work because of illness. Employees may accrue sick leave up to a maximum of 960 hours. However, this accrual is not paid to employees upon termination. No liability is accrued at June 30, 2008 for sick leave.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

Use of Estimates in the Preparation of Financial Statements

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

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 (excluding infrastructure) are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure assets, including contributed capital, are defined by the City as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are capitalized 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.

Property, plant and equipment of the City are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Improvements	40 years
Equipment	5 to 7 years
Infrastructure	20 to 80 years

Property Tax Calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate is 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 City. Tax liens attach annually as of 12:01 A.M. on the first day in March proceeding 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, City 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

Pension Plan

All permanent City employees are members of the State of California Public Employees' Retirement System (PERS). The City funds substantially all pension costs as determined annually by PERS actuary (see Note 5).

Implemented During 2007-2008

GASB Statement No. 48 – In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement also requires disclosure of pledged revenue securing bonds.

GASB Statement No. 50 – In May 2008, GASB issued Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

Effective in Future Years

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, and the City has determined that it currently offers no benefits subject to the provisions of GASB No. 45.

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 City has not determined its effect on the financial statements.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

Effective in Future Years , (Continued)

GASB Statement No. 51 – In June 2008, 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 City has not determined its effect on the financial statements.

GASB Statement No. 52 – In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This statement is not effective until June 30, 2009. The City 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 20, 2010. The City has not determined its effect on the financial statements.

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. See Note 12.

A. Budgetary Principals

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Several supplemental appropriations were made during the year. Intrafund budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end all unencumbered operating budget appropriations lapse with the exception of continuing appropriations.

General Fund expenditures may not legally exceed budgeted appropriations. Budgeted revenue amounts, as presented in the accompanying basic financial statements, represent the original budget as modified by adjustments during the year for those items which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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

B. Negative Fund Balance and Other Fund Disclosures

The following funds had negative fund balances/retained earnings at June 30, 2008:

<u>Major Funds</u>	<u>Amount</u>
Debt Service Fund	
Assessment District 87-1	\$ 435,607
<u>Non-Major Funds</u>	
Special Revenue:	
Community Facilities District 2003	\$ 155,832
Capital Projects Fund	
TUMF	\$ 429,375

The City's plan to eliminate deficit fund balance includes transfers from the General Fund and possible acceptance of a Bond Tender offer for Assessment District 87-1.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED 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:

	<u>Amount</u>
Statement of Net Assets	
Governmental Activities:	
Cash and investments	\$ 54,145,469
Cash and investments with fiscal agents	5,677,580
Business-type Activities:	
Cash and investments	2,644,286
Cash and investments with fiscal agents	<u>234,018</u>
Total	<u>62,701,353</u>
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	5,816,902
Cash and investments with fiscal agents	<u>1,788,094</u>
Total Cash and Investments	<u>\$ 70,306,349</u>
Demand accounts	\$ (1,659,087)
Cash on hand	925
Investments	<u>71,964,511</u>
Total Cash and Investments	<u>\$ 70,306,349</u>

The City follows the practice of pooling cash and investments 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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

The table below identifies the investment types that are authorized for the City's investment policy. The table also identifies certain provisions of the City'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 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.

Investment Types Authorized by State Law	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	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 years	10%	None
Repurchase Agreements	1 year	10%	None
Medium-Term Corporate Notes	5 years	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mutual Funds	N/A	18%	None
Time Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	90%	None
California Asset Management Program	N/A	50%	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED 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 City'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 Mutual Funds	N/A	None	None
Investment Agreements	None	None	None
Certificates of Deposit, Savings Account	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 City 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Information about the sensitivity of the fair values of the City'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 City's investments by maturity:

Investment Type	Totals	Remaining Maturing (In Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State Investment Pool	\$39,399,581	\$39,399,581			
Money Market Funds	2,106,558	2,106,558			
California Asset Management Program Pool	15,715,517	15,715,517			
U.S. Agency Securities	7,043,163	7,043,163			
Held by bond trustee:					
Guaranteed Investment Contract	748,800				\$ 748,800
Money Market Funds	6,950,892	6,950,892			
Total	\$71,964,511	\$71,215,711	\$ -	\$ -	\$ 748,800

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 nationally recognized statistical rating organizations. Presented below is the minimum rating required by (where applicable) the City's investment policy or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Totals	Minimum	Rating at	Not
		Legal Rating	End of Year	Rated
State Investment Pool	\$ 39,399,581	N/A		\$ 39,399,581
Money Market Funds	2,106,558	A	AAA	
Local Government Investment Pool CAMP:				
Program Pool	15,715,517	N/A		\$15,715,517
U.S. Agency Securities	7,043,163	A	AAA, A-1+	
Held by bond trustee:				
Guaranteed investment contract	748,800	N/A		\$ 748,800
Money market funds	6,950,892	A	AAA	
Total	\$ 71,964,511			

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – 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 that stipulated by the California Government Code. The City's investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FHLMC Global Notes	Federal Agency Securities	\$4,007,530

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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2008, the balances held per bank were \$217,403 of which \$117,403 was in excess of federal depository insurance limits and held in accounts collateralized by the pledging financial institution, but not in the City's name, as discussed above.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools, including LAIF.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment in Investment Pools

The City is a voluntary participant in the 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 is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

In addition, the City is a voluntary participant in the California Asset Management Program (CAMP), an investment pool managed by Public Financial Management, Inc. CAMP was established under the provisions of the California Joint Exercise of Powers Act. 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 CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

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 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 SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 – CAPITAL ASSETS

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,038,530	\$ 192,475		\$ 2,231,005
Construction in progress	7,193,192	10,126,079	\$ (9,729,415)	7,589,856
Total Capital Assets Not Being Depreciated	9,231,722	10,318,554	(9,729,415)	9,820,861
Capital assets being depreciated:				
Building and system	4,457,263	2,944,746		7,402,009
Machinery and equipment	3,935,886	1,887,494	(422,137)	5,401,243
Improvements other than building	2,423,787	37,075		2,460,862
Infrastructure	123,392,593	13,705,392		137,097,985
Total Capital Assets Being Depreciated	134,209,529	18,574,707	(422,137)	152,362,099
Less accumulated depreciation for:				
Building and system	(618,820)	(165,091)		(783,911)
Machinery and equipment	(2,817,586)	(403,889)	410,133	(2,811,342)
Improvements other than building	(806,880)	(94,339)		(901,219)
Infrastructure	(51,612,172)	(3,746,309)		(55,358,481)
Total Accumulated Depreciation	(55,855,458)	(4,409,628)	410,133	(59,854,953)
Total Capital Assets Being Depreciated, Net	78,354,071	14,165,079		92,507,146
Governmental Activities Capital Assets, Net	<u>\$ 87,585,793</u>	<u>\$ 24,483,633</u>	<u>\$ (9,729,415)</u>	<u>\$ 102,328,007</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 – CAPITAL ASSETS, (Continued)

	Balance at July 1, 2007	Reclassifications	Additions	Deletions	Balance at June 30, 2008
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 55,222				\$ 55,222
Total Capital Assets Not Being Depreciated	55,222				55,222
Capital assets being depreciated:					
Building and system	10,164,852	\$ (245,257)			9,919,595
Machinery and equipment	1,768,346		\$ 105,898		1,874,244
Improvements other than building	2,382,578	245,257			2,627,835
Total Capital Assets Being Depreciated	14,315,776		105,898		14,421,674
Less accumulated depreciation for:					
Building and system	(1,436,909)		(139,518)		(1,576,427)
Machinery and equipment	(1,241,416)		(137,396)		(1,378,812)
Improvements other than building	(586,408)		(229,204)		(815,612)
Total Accumulated Depreciation	(3,264,733)		(506,118)		(3,770,851)
Total Capital Assets Being Epreciated, Net	11,051,043		(400,220)		10,650,823
Business-Type Activities Capital Assets, Net	<u>\$ 11,106,265</u>	<u>\$ -</u>	<u>\$ (400,220)</u>	<u>\$ -</u>	<u>\$ 10,706,045</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 – CAPITAL ASSETS, (Continued)

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

Governmental Activities:	
General government	\$ 659,348
Public safety	247,307
Public works	3,452,031
Community development	50,942
Total Depreciation Expense - Governmental Activities	<u>\$ 4,409,628</u>
Business-Type Activities:	
Water	\$ 344,728
Sewer	161,390
Total Depreciation Expense - Business-type Activities	<u>\$ 506,118</u>

NOTE 4 – OTHER ASSETS

Notes Receivable

Balance
Outstanding at
June 30, 2008

In 2006-2007 and in 2007-2008 the Agency made a loan to a developer for a low and moderate income housing project. Amounts provided to the developer were \$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 which is 55 years from the completion of the project.

Total	\$ 2,300,000
	<u>\$ 2,300,000</u>

The Redevelopment Agency operates various loan and grant programs to assist residents who meet certain qualifications for the purpose of providing home rehabilitation and home ownership assistance to low-moderate income households. The loans are secured by a deed of trust and no monthly payments are required. At the end of the term of 45 years, the loans are forgiven unless the following occurs during the grant term: 1) property is sold or transferred or 2) property is no longer owner-occupied, at which time full repayment would be required.

The purpose of the grants is to provide low-moderate income households with home ownership assistance with no intent of recovering the grant, and thus the grants are not recognized as long-term receivables in the Statement of Net Assets. The balance of those loans at June 30, 2008 was \$731,294.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 – RETIREMENT PLAN

Plan description

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

Funding policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate 14.883% for non-safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual pension cost

For 2008, the City's annual pension cost of \$707,459 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method.

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension Cost</u> <u>(Employer Contribution)</u> <u>(in thousands)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2006	\$508	100%	-
6/30/2007	\$970	100%	-
6/30/2008	\$707	100%	-

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. Each year, a single amortization base is created, using the net period for the multiple bases.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 – RETIREMENT PLAN, (Continued)

New Risk Pool and Future Contributions

At the time of joining a risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the City's plan. The Side Fund for the City's plan as of the June 30, 2004, valuation was (\$1,121,166) for the Miscellaneous Plan.

The side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. The negative Side Fund will cause the City's required employer contribution rate to be increased by the Amortization of the Side Fund. In the absence of subsequent contract amendments or funding changes, the Side Fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2004, was 15 years for the Miscellaneous Plan.

NOTE 6 – LONG-TERM DEBT

The description of long-term debt outstanding as of June 30, 2008, are as follows:

A. Loans

Eastern Municipal Water District (EMWD) – San Jacinto Project

Pursuant to a pass-through agreement dated September 20, 1983, the Redevelopment Agency is required to pay Eastern Municipal Water District eighty percent of the tax increment received by the San Jacinto Project Area 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 of outstanding long-term debt under the agreement for repayment of the eighty percent for the fiscal years 1984 through 1988 tax increment of the San Jacinto Project Area to EMWD at June 30, 2008 was \$26,671. In addition, \$339,628 was recorded as current pass-through payable to EMWD in the Redevelopment Agency Debt Service Fund as "Due to Other Governments".

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

A. Loans, (Continued)

Riverside County Transportation Commission

On August 21, 1997 the Riverside County Transportation Commission loaned \$1,300,000 plus \$24,500 issuance costs for the Commission's underlying bond debt to the City pursuant to an Agreement for Advance of Measure A Local Street and Road Funds. The proceeds will be used to complete Measure A projects consisting of making repairs, improvements and expansions to certain streets in the City. The loan bears interest at 4.75% and is paid in monthly installments from September, 1997 through June, 2009. At June 30, 2008 the amount outstanding was \$128,791.

County of Riverside

On July 29, 2003, the County of Riverside (County) loaned \$1,000,000 to the City pursuant to an Agreement for Road Improvement Projects. The proceeds will be used to complete current and future Measure A projects consisting of making repairs, improvements and expansions to certain streets in the City. The loan is interest free and repayable by June 30, 2008 from future Measure A Transportation Funds, Community Development Block Grant (CDBG) funds or any other City or Redevelopment funds available. The City is required to participate in the County's CDBG program until repayment and is obligated to document all project actual costs and to confirm that no further financial assistance from the County is needed to complete the designated projects. At June 30, 2008 the amount outstanding was \$0.

The annual debt service requirements to maturity for the loans payable are as follows:

Fiscal Year Ending June 30,	EMWD Loan	RCTC Loan	
		Principal	Interest
2009	\$ 1,270	\$ 128,791	\$ 4,070
2010	1,270		
2011	1,270		
2012	1,270		
2013	1,270		
2014-2018	6,350		
2019-2023	6,350		
2024-2028	6,350		
2029-2031	1,271		
Total	\$ 26,671	\$ 128,791	\$ 4,070

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

B. Special Assessment Debt with Government Commitment

\$1,415,000 Assessment District 87-1 Bonds, Series 1987 A, dated March 19, 1987, were issued to finance certain improvements pursuant to the Improvement Bond Act of 1915. The payment of the bonds is secured by assessment liens upon certain lands as described in said assessment and are not direct liabilities of the City. The City may, however, from time to time, when due and delinquent, advance available funds to pay the amount of any succeeding installment of the assessment on said land and the interest thereon on the 1915 bonds. Prior to the fiscal year ended June 30, 1995, the City of San Jacinto advanced funds for said delinquencies. During the fiscal year ended June 30, 1995 the City did not advance further amounts to the reserve fund and had commenced foreclosure proceedings. The City has since entered judicial foreclosure and the related property has been placed for sale. A reserve fund of \$141,500 was established out of the original bond proceeds. At June 30, 2008 the reserve fund balance was zero due to the default of property owners.

In accordance with GASB Statement No. 6 "*Special Assessments*," the special assessment debt has been reflected in the accompanying financial statements at June 30, 2008, as "Special Assessment Debt with Government Commitment" in the amount of \$1,633,491. This includes an amount of matured unpaid principal of \$1,125,000. Matured unpaid interest on these bonds is also reported for interest payments due but not paid as of June 30, 2008, in the amount of \$508,491. These balances have been outstanding for several years and as such, the City has recorded the corresponding taxes receivable of \$1,633,491 in addition to deferred revenue in the same amount at the Statement of Net Assets and Governmental Funds Balance Sheet.

The annual debt service requirements to maturity for the assessment debt payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Special Assessment Debt	
	Principal	Interest
2009	\$ 1,125,000	\$ 508,491

C. Tax Allocation Bonds Payable

1999 Tax Allocation Bonds

On July 15, 1999, the Redevelopment Agency of the City of San Jacinto issued \$965,000 of Tax Allocation Bonds to provide monies to finance various projects within the San Jacinto 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

C. Tax Allocation Bonds Payable, (Continued)

Redevelopment Agency of the City of San Jacinto 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 pledged tax increment revenues allocated to the Agency. The outstanding principal balance at June 30, 2008 was \$9,055,000.

The annual debt service requirements to maturity for the tax allocation bonds payable are as follows:

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>

The Agency has pledged a portion of future tax increment revenues to repay the 1999 and the 2005 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

D. Revenue Bonds

1997 Revenue Bonds

On August 1, 1997, the San Jacinto Financing Authority issued \$4,500,000 of Revenue Bonds, Series 1997, to finance the acquisition and construction of improvements to the water enterprise system of the City of San Jacinto. The Bonds consist of \$1,575,000 of serial bonds and \$2,925,000 of term bonds. The serial bonds accrue interest at rates between 3.9% and 4.9% and the principal amounts mature between October 1, 1998 and October 1, 2008 in amounts ranging from \$130,000 to \$190,000. The term bonds accrue interest at 5.5% and mature October 1, 2018. The bonds and interest are payable from installment payments established by an installment purchase agreement established pursuant to the trust indenture. The City's obligation to make installment payments and interest is a special obligation of the City payable solely from net revenues of the City's Water Enterprise. The outstanding principal balance at June 30, 2008 is \$2,925,000.

2002 Refunding Revenue Bonds

On March 15, 2002, the San Jacinto Financing Authority issued \$2,730,000 of Refunding Revenue Bonds, Series 2002, to prepay the 1993 Certificates of Participation of the City of San Jacinto and a lease obligation of the City of San Jacinto, each of which financed improvements to the City's Water Enterprise. The Bonds consist of \$1,695,000 of serial bonds and \$1,035,000 of term bonds. The serial bonds accrue interest at rates between 1.75% and 4.75% and the principal amounts mature between April 1, 2003 and April 1, 2014 in amounts ranging from \$75,000 to \$190,000. The term bonds accrue interest at 5.10% and mature April 1, 2023. The bonds and interest are payable from installment payments established by an amended and restated installment purchase agreement established pursuant to the trust indenture. The City's obligation to make installment payments and interest is a special obligation of the City payable solely from net revenues of the City's Water Enterprise. The outstanding principal balance at June 30, 2008 is \$1,720,000. The payment of installment purchase payments is on parity with the City's obligation to pay debt service on the 1997 Revenue Bonds.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

D. Revenue Bonds, (Continued)

The annual debt service requirements to maturity for the revenue bonds payable are as follows:

June 30,	Principal	Interest	Principal	Interest
2009	\$ 190,000	\$ 81,988	\$ 200,000	\$ 155,375
2010	165,000	74,673	210,000	144,100
2011	75,000	68,073	225,000	132,138
2012	80,000	64,698	235,000	119,487
2013	85,000	61,098	250,000	106,150
2014-2018	490,000	238,875	1,460,000	304,700
2019-2023	635,000	100,470	345,000	9,488
Total	<u>\$ 1,720,000</u>	<u>\$ 689,875</u>	<u>\$ 2,925,000</u>	<u>\$ 971,438</u>

The City has pledge Water Enterprise revenues to repay the 1997 \$4.5M Revenue Bonds and the 2002 \$2.7M Refunding Revenue Bonds. Water Enterprise 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 \$3,896,438 and \$2,409,875, payable through 2019 and 2023, respectively. For the current year, principal and interest paid was \$355,530 for the 1997 Bonds and \$274,388 for the 2002 Bonds, and total water enterprise revenues received by the City totaled \$3,259,738.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

E. Unfunded Pension Liability-Inactive Safety Plan

On June 1, 2004, the City disbanded its police department and subsequently contracted with the Riverside County Sheriff’s Department for policing services. At that time, the City’s previously established pension fund through the California Public Employee’s Retirement System (CalPERS) became inactive.

At the time of joining the mandatory new risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the plan (see Note #5 for additional details on the new risk pool). The balance of the side fund for the inactive Safety Plan was \$2,798,322 at the time the police department disbanded in June 2004. As such, the City was obligated to pay the remaining balance over a period of 14 years. The balance at June 30, 2008 is \$2,553,914 and is scheduled for repayment as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2009	\$ 136,586	\$ 185,674	\$ 322,260
2010	147,172	175,088	322,260
2011	158,578	163,682	322,260
2012	170,867	151,393	322,260
2013	184,110	138,150	322,260
2014-2018	1,158,017	453,283	1,611,300
2019-2021	598,584	45,941	644,525
Total	<u>\$ 2,553,914</u>	<u>\$ 1,313,211</u>	<u>\$ 3,867,125</u>

F. Capital Lease Payable

On July 20, 2007 the City entered into two lease agreements for the purchase of 1) a Vactor Truck and a Street Sweeper and 2) Various Trucks in the amount of \$456,000 and \$318,000, respectively. Principal and interest payments are paid semi-annually on January 20th and July 20th. The annual interest rates applicable to the leases are 4.53% and 4.46% respectively. The combined outstanding balance at June 30, 2008 for both leases is \$712,655 and is scheduled for repayment as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2009	\$ 117,548	\$ 31,024	\$ 148,572
2010	122,891	25,681	148,572
2011	128,476	20,096	148,572
2012	134,315	14,257	148,572
2013	104,591	8,152	112,743
2014-2015	104,834	5,034	109,868
Total	<u>\$ 712,655</u>	<u>\$ 104,244</u>	<u>\$ 816,899</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

G. Changes in Long-Term Liabilities

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008	Due within one year
<u>Governmental</u>					
Bonds Payable:					
1999 Tax Allocation Bonds	\$ 485,000		\$ (209,800)	\$ 275,200	\$ 45,000
2005 Tax Allocation Bonds	9,245,000		(190,000)	9,055,000	195,000
Less deferred loss on refunding	(29,092)		1,763	(27,329)	
Special assessment debt with governmental commitment	1,125,000			1,125,000	1,125,000
Matured unpaid interest on special assessment debt with government commitment	508,491			508,491	508,491
Loans Payable:					
EMWD	27,939		(1,268)	26,671	1,270
Riverside County Transmission Commission	263,333		(134,542)	128,791	128,791
County of Riverside	1,000,000		(1,000,000)		
Unfunded pension liability- inactive safety plan	2,680,677		(126,763)	2,553,914	136,586
Lease payable		\$ 775,000	(62,345)	712,655	117,548
Claims and judgment	470,174		(43,282)	426,892	426,892
Compensated absences	191,277	21,519		212,796	
Governmental Activities Long-Term Liabilities	<u>\$ 15,967,799</u>	<u>\$ 796,519</u>	<u>\$ (1,766,237)</u>	<u>\$ 14,998,081</u>	<u>\$ 2,684,578</u>
<u>Business-type Activities</u>					
Bonds Payable:					
1997 Revenue Bonds	\$ 3,115,000		\$ (190,000)	\$ 2,925,000	\$ 200,000
2002 Revenue Bonds	1,905,000		(185,000)	1,720,000	190,000
Compensated absences	18,834	\$ 2,550		21,384	
Business-Type Activities Long-Term Liabilities	<u>\$ 5,038,834</u>	<u>\$ 2,550</u>	<u>\$ (375,000)</u>	<u>\$ 4,666,384</u>	<u>\$ 390,000</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

H. Debt Issued Without Government Commitment

Refinancing of \$26,000,000 Community Facilities District No. 2 Special Tax Bonds

\$26,000,000 of special tax bonds were issued on May 1, 1989 (1989 issue) to finance the acquisition and construction of certain "backbone" infrastructure facilities necessary for further development in Community Facilities District No. 2 (CFD No. 2). CFD No. 2 debt is secured by special taxes levied by the City on property within the boundaries of CFD No. 2, and is not a debt of the City of San Jacinto. Due to the large number of delinquent, undeveloped parcels in the district, the district was unable to meet all of its debt obligations since 1997 and therefore, there was a default with respect to the payment of the principal and interest.

In September 2002, the district entered into a Memorandum of Understanding (MOU) with the majority bondholder to set forth numerous objectives, but primarily focused on refinancing the Bonds, keeping the tax exempt status of any new bonds, foreclosing on the delinquent property owners, protecting current property owners, as well as the minority bondholders. To achieve this objective, the City of San Jacinto on behalf of the district, transacted a number of complex interrelated actions:

1. On or about September 10, 2002; foreclose on certain 114 delinquent undeveloped parcels in CFD No. 2 using the credit bid procedure; detach said parcels from CFD No. 2 and form CFD No. 2002-1, establish a new RAM for CFD 2002-1 and authorize bonded indebtedness to repay the special taxes owed on these parcels and authorize refunding of the 1989 issue.
2. On October 10, 2002, issued \$9,360,000 CFD No. 2 City of San Jacinto Special Tax Refunding Bonds, 2002, Series A, for the purpose of paying past due principal and interest, advance refund a portion of the outstanding 1989 issue and fund a bond reserve fund. These bonds were sold to the investing public. The principal outstanding at June 30, 2008 is \$6,115,000.
3. Simultaneously issue \$18,267,762 Community Facilities District No. 2 City of San Jacinto Special Tax Refunding Bonds, Subordinate Series B, for the purpose of redeeming the balance of the 1989 issue. The principal outstanding at June 30, 2008 is \$206,234.
4. Simultaneously issue \$17,841,416 Community Facilities District No. 2002-1 City of San Jacinto Special Tax Bonds, 2002 Series A, for the purpose of exchanging bonds pursuant with a bond exchange agreement with the majority bondholder of the "1989 issue" for the bonds of the San Jacinto Financing Authority 2002 Local Agency Revenue Bonds, Series A. This issue is currently owned by the San Jacinto Financing Authority. These bonds are intended to be resold only to sophisticated investors. The outstanding balance at June 30, 2008 is \$17,841,416.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 – LONG-TERM DEBT, (Continued)

I. Debt Issued Without Government Commitment, (Continued)

Refinancing of \$26,000,000 Community Facilities District No. 2 Special Tax Bonds, (Continued)

5. Simultaneously issue \$17,841,416 San Jacinto Financing Authority 2002 Local Agency Revenue Bonds, Series A, for the purpose of purchasing bonds of Community Facilities District No. 2002-1 and Community Facilities District No. 2 of San Jacinto Special Tax Refunding Bonds, Subordinate Series B. This is a private placement issue. The balance at June 30, 2008 is \$20,529,817.

All bonds represent either an obligation of the San Jacinto Financing Authority, Community Facilities District No. 2 or Community Facilities District No. 2002-1 and are not an obligation of the City of San Jacinto.

NOTE 7 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Interfund Transactions – Due to/Due from Other Funds

Individual fund interfund receivable and payable balances at June 30, 2008 were as follows:

Payable Fund	Receivable Fund							Totals
	General Fund	RDA Special Revenue	City Capital Projects Fund	Highway 79 Capital Projects Fund	Non-Major Governmental Funds	Enterprise-Water Fund	Enterprise-Sewer Fund	
City Capital Projects Fund	\$4,480,653	\$ 408,249		\$4,737,846	\$ 20,697,147	\$ 373,154	\$ 86,798	\$30,783,847
RDA Special Revenue Fund	1,014,758		\$ 408,249					1,423,007
Highway 79 Capital Project Fund			161,961					161,961
AD 87-1 Debt Service Fund	1,266							1,266
Redevelopment Debt Service Fund	600,000							600,000
Non-Major Governmental Funds	1,274,267		13,764,645					15,038,912
Total	\$7,370,944	\$ 408,249	\$14,334,855	\$4,737,846	\$ 20,697,147	\$ 373,154	\$ 86,798	\$48,008,993

Amounts payable from the City Capital Projects Fund represent amounts held on behalf of various funds for budgeted projects. Funds are subsequently transferred as expended within the Capital Projects Fund. The remaining interfund payables are to cover negative cash balances in the respective funds.

Interfund Transactions – Advances

Receivable Fund	Payable Fund	Amount
General fund	Assessment District 87-1 Debt Service	\$ 291,129
Nonmajor Governmental funds	Assessment District 87-1 Debt Service	144,128
		<u>\$ 435,257</u>

The advances to Assessment District 87-1 were for debt service. Both amounts are not expected to be repaid within the next year.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 8 – TRANSFERS IN AND OUT

Individual fund transfers in and transfers out activity as of June 30, 2008 were as follows:

Transfers-In	Transfers-Out									Totals
	General Fund	RDA Special Revenue	Fire Station Construction	RDA Debt Service Fund	Highway 79 Capital Projects	Non-Major Governmental Funds	Internal Service Funds	Enterprise-Water Fund	Enterprise-Sewer Fund	
General Fund						\$ 564,775	\$ 389,960			\$ 954,735
City Capital Projects Fund	\$4,707,603	\$3,489,829			\$ 904,966	4,369,458		\$ 814,689	\$ 587,264	14,873,809
RDA Special Revenue							3,764			3,764
Non-Major Governmental Funds	305,630		\$ 10,744	\$ 700,000			85,019			1,101,393
Enterprise-Water Fund							101,027			101,027
Enterprise-Solid Waste							1,460			1,460
Enterprise-Sewer Fund							50,155			50,155
Total	\$5,013,233	\$3,489,829	\$ 10,744	\$ 700,000	\$ 904,966	\$ 4,934,233	\$ 631,385	\$ 814,689	\$ 587,264	\$17,086,343

- Transfers from all 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 funds represent budgeted transfers for various projects.

NOTE 9 – RISK MANAGEMENT

The City adopted a self-insured workers' compensation program which is administered by a service agent. The City is self-insured for the first \$250,000 on each claim. Insurance coverage in excess of the self-insured amount is provided by Public Entity Risk Management Authority (PERMA) up to statutory limits for workers' compensation.

Effective July 1, 2002, the City elected to reduce self-insured liability claim coverage from \$125,000 to \$50,000 on each general liability claim against the City. The Insurance coverage in excess of the self-insured amount is provided by PERMA up to a limit of \$25,000,000.

Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2008, the amount of these liabilities was \$426,892.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 – RISK MANAGEMENT, (Continued)

The amount represents an estimate of \$317,393 for reported claims through June 30, 2008, and \$109,499 of estimated incurred but not reported claims. These claims are recorded as claims payable in the Workers' Compensation Fund and Liability Insurance Fund. This liability is the City's best estimate based on available information. Changes in the reported liability are as follows:

<u>Year</u>	<u>Liability at Beginning</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payable</u>	<u>Liability at End</u>
2006-2007	\$ 416,670	\$ 53,504		\$ 470,174
2007-2008	470,174		\$ (43,282)	426,892

Effective July 1, 1986 the City became a member of PERMA, a public entity risk pool, currently operating as a common risk management and insurance program for 17 California cities and 8 Special District/Agencies. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of PERMA provides that the pool will be self-sustaining through member premiums. The City continues to carry commercial companies for all other risks of loss, including property insurance, earthquake, and flood, auto physical damage insurance, and TULIP/special events insurance.

PERMA has published its own financial report for the year ended June 30, 2008, which can be obtained from Public Entity Risk Management Authority, 77-670 Springfield Land, Suite 1A, Palm Desert, California 92211.

NOTE 10 – CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome of the majority of these cases will have no material adverse effect on the financial position of the City.

State of California

The State continues to experience financial difficulties. It is uncertain at this time what effect, if any, this will have on the City of San Jacinto.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 – SUBSEQUENT EVENTS

Developer Reimbursement

Subsequent to year-end, in January of 2009, the City paid a developer the sum of \$279,174 as a refund of fees for a project that began in a previous year. This amount has been reserved in the DIF Special Revenue Fund at the Governmental Funds Balance sheet in the amount of \$279,124. However, no liability was recognized at the Governmental Balance sheet, as of June 30, 2008.

Water Rights

The Soboba Tribe, Eastern Municipal Water District and the Lake Hemet Water District have all threatened to sue the City and other persons and entities that use groundwater from the San Jacinto/Hemet groundwater basin to resolve issued with respect to water rights. A settlement agreement has been negotiated and is waiting authorizing congressional legislation, which is expected within the next six months. The settlement sets up a groundwater management program that will have a large financial impact on the City, as well as vital benefits in terms of securing a long term water supply. The Soboba Band of Luiseno Indians Settlement Act was signed on August 15, 2008.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 – FUND BALANCE RESERVATIONS/DESIGNATIONS

	General Fund	Redevelopment		Capital Projects	
		Special Revenue	Debt Service	Community Facilities District #2	Highway 79 Capital Projects
Fund Balance					
Reserved for:					
Prepays	\$ 22,556		\$ 1,978		
Long-term advances to other funds	291,129				
Land held for resale		\$ 34,618			
Developer reimbursement					
Total Reservations	<u>313,685</u>	<u>34,618</u>	<u>1,978</u>		
Unreserved - Designations:					
Designated for capital projects	12,353,553				
Designated for contingencies	6,067,590				
Designated for development services	3,400,000				
Total unreserved - designations	<u>21,821,143</u>				
Unreserved:					
Undesignated	1,077,772	2,577,439	3,920,763	\$ 12,153	\$ 4,575,885
Total Fund Balance	<u>\$23,212,600</u>	<u>\$2,612,057</u>	<u>\$3,922,741</u>	<u>\$ 12,153</u>	<u>\$ 4,575,885</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 – FUND BALANCE RESERVATIONS/DESIGNATIONS, (Continued)

	Debt		Total
	Assessment District 87-1	Non-major Funds	
Fund Balance			
Reserved for:			
Prepays			\$ 24,534
Long-term advances to other funds		\$ 144,128	435,257
Land held for resale		717,378	751,996
Developer reimbursement		279,124	279,124
Total Reservations		1,140,630	1,490,911
Unreserved - Designations:			
Designated for capital projects			12,353,553
Designated for contingencies			6,067,590
Designated for development services			3,400,000
Total unreserved - designations			21,821,143
Unreserved:			
Undesignated	\$ (435,607)	20,903,228	32,631,633
Total Fund Balance	\$ (435,607)	\$ 22,043,858	\$ 55,943,687

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,394,150	\$ 5,394,150	\$ 6,149,722	\$ 755,572
Licenses and permits	1,873,895	1,873,895	1,196,395	(677,500)
Fines and forfeitures	106,997	106,997	147,026	40,029
Intergovernmental	4,540,425	4,550,778	4,356,873	(193,905)
Charges for services	1,040,240	1,040,240	1,080,185	39,945
Use of money and property	880,000	880,000	998,928	118,928
Other	3,235,888	3,537,392	3,712,906	175,514
Total Revenues	17,071,595	17,383,452	17,642,035	258,583
EXPENDITURES				
Current:				
General government	2,153,708	2,503,442	2,391,206	112,236
Public safety	8,405,640	8,295,729	8,487,136	(191,407)
Public works	1,263,217	1,245,497	994,105	251,392
Community development	4,017,161	4,005,301	2,733,799	1,271,502
Culture and leisure	892,847	881,575	860,291	21,284
Debt service:				
Principal	71,300	71,300	43,465	27,835
Interest	19,659	19,659	13,533	6,126
Capital outlay	318,107	975,104	844,615	130,489
Total Expenditures	17,141,639	17,997,607	16,368,150	1,629,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,044)	(614,155)	1,273,885	1,888,040
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease financing			523,000	523,000
Transfers in	493,290	493,290	954,735	461,445
Transfers out	(1,252,000)	(9,524,542)	(5,013,233)	4,511,309
Total Other Financing Sources (Uses)	(758,710)	(9,031,252)	(3,535,498)	5,495,754
Net Change in Fund Balance	(828,754)	(9,645,407)	(2,261,613)	7,383,794
Fund Balance, Beginning of Year	25,474,213	25,474,213	25,474,213	
Fund Balance, End of Year	\$ 24,645,459	\$ 15,828,806	\$ 23,212,600	\$ 7,383,794

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 960,000	\$ 960,000	\$ 1,275,713	\$ 315,713
Use of money and property	86,020	86,020	165,990	79,970
Total Revenues	<u>1,046,020</u>	<u>1,046,020</u>	<u>1,441,703</u>	<u>395,683</u>
EXPENDITURES				
Current:				
Community development	394,591	570,422	351,973	218,449
Debt service:				
Principal	131,100	131,100	131,214	(114)
Interest	270,710	270,710	268,977	1,733
Total Expenditures	<u>796,401</u>	<u>972,232</u>	<u>752,164</u>	<u>220,068</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>249,619</u>	<u>73,788</u>	<u>689,539</u>	<u>615,751</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,400	20,400	3,764	(16,636)
Transfers out	(1,724,675)	(4,668,482)	(3,489,829)	1,178,653
Total Other Financing Sources (Uses)	<u>(1,704,275)</u>	<u>(4,648,082)</u>	<u>(3,486,065)</u>	<u>1,162,017</u>
Net Change in Fund Balance	(1,454,656)	(4,574,294)	(2,796,526)	1,777,768
Fund Balance, Beginning of Year	<u>5,408,583</u>	<u>5,408,583</u>	<u>5,408,583</u>	
Fund Balance, End of Year	<u>\$ 3,953,927</u>	<u>\$ 834,289</u>	<u>\$ 2,612,057</u>	<u>\$ 1,777,768</u>

SUPPLEMENTARY SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2008

	Special Revenue Funds			
	Gas Tax	Measure A	AB2928 Traffic Congestion	Traffic Safety
ASSETS				
Cash and investments		\$ 85,174		\$ 239,389
Receivables:				
Accounts				
Property taxes				
Due from other governments	\$ 167,856	110,570		37,156
Due from other funds		684,138		27,020
Total Assets	<u>\$ 167,856</u>	<u>\$ 879,882</u>	<u>\$ -</u>	<u>\$ 303,565</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,743			\$ 7,874
Accrued payroll				
Due to other funds	166,113			
Due to other governments				
Deferred revenue				
Total Liabilities	<u>167,856</u>			<u>7,874</u>
FUND BALANCES:				
Reserved for:				
Developer reimbursement				
Unreserved, reported in				
Special revenue funds		\$ 879,882		295,691
Total Fund Balances		<u>879,882</u>		<u>295,691</u>
Total Liabilities and Fund Balances	<u>\$ 167,856</u>	<u>\$ 879,882</u>	<u>\$ -</u>	<u>\$ 303,565</u>

Special Revenue Funds

LLPD #1	Park Development	Community Development Block Grant	Parkway Development	Community Facilities District 2003	Community Facilities District #2	CSA 152
\$ 48,933	\$ 302,492		\$ 98,771	\$ 203,306		
	20,878			117,959		
	73,524	\$ 357,834				\$ 65,075
<u>\$ 69,811</u>	<u>\$ 376,016</u>	<u>\$ 357,834</u>	<u>\$ 98,771</u>	<u>\$ 321,265</u>	<u>\$ -</u>	<u>\$ 65,075</u>
\$ 56,251				\$ 477,097		\$ 735
		\$ 159,757				1,268
						40,511
		198,077				
<u>56,251</u>		<u>357,834</u>		<u>477,097</u>		<u>42,514</u>
	13,560	\$ 376,016	\$ 98,771	(155,832)		22,561
	13,560	376,016	-	98,771	(155,832)	22,561
<u>\$ 69,811</u>	<u>\$ 376,016</u>	<u>\$ 357,834</u>	<u>\$ 98,771</u>	<u>\$ 321,265</u>	<u>\$ -</u>	<u>\$ 65,075</u>

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)

JUNE 30, 2008

	Special Revenue Funds			
	Bus Shelter	Police Department Technical Grant	Public Safety Sales Tax	Air Quality Improvement
ASSETS				
Cash and investments	\$ 30,558		\$ 61,468	\$ 74,513
Receivables:				
Accounts				
Property taxes				
Due from other governments			17,908	10,719
Due from other funds				
Total Assets	<u>\$ 30,558</u>	<u>\$ -</u>	<u>\$ 79,376</u>	<u>\$ 85,232</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 6			
Accrued payroll	2,931			
Due to other funds				
Due to other governments				
Deferred revenue				
Total Liabilities	<u>2,937</u>			
FUND BALANCES:				
Reserved for:				
Developer reimbursement				
Unreserved, reported in				
Special revenue funds	27,621		\$ 79,376	\$ 85,232
Total Fund Balances	<u>27,621</u>		<u>79,376</u>	<u>85,232</u>
Total Liabilities and Fund Balances	<u>\$ 30,558</u>	<u>\$ -</u>	<u>\$ 79,376</u>	<u>\$ 85,232</u>

Special Revenue Funds

AB3229 COPS Program	Fire Mitigation	SB 621 Gaming Impact Grants	Homeland Security Grant	AB1600	Special District Administration	Code Enforcement
\$ 13,091	\$ 575,558	\$ 109,918		\$ 489,226	\$ 986,134	\$ 27,641
						4,437
		304,396		820,539		
<u>\$ 13,091</u>	<u>\$ 575,558</u>	<u>\$ 414,314</u>	<u>\$ -</u>	<u>\$ 1,309,765</u>	<u>\$ 986,134</u>	<u>\$ 32,078</u>
\$ 7,042	\$ 4,372	\$ 8,081			\$ 5,157 8,776	\$ 814
		335,734				
<u>7,042</u>	<u>4,372</u>	<u>343,815</u>			<u>13,933</u>	<u>814</u>
6,049	571,186	70,499		\$ 1,309,765	972,201	31,264
6,049	571,186	70,499	-	1,309,765	972,201	31,264
<u>\$ 13,091</u>	<u>\$ 575,558</u>	<u>\$ 414,314</u>	<u>\$ -</u>	<u>\$ 1,309,765</u>	<u>\$ 986,134</u>	<u>\$ 32,078</u>

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)

JUNE 30, 2008

	Special District Funds			
	LLPD#2	Assessment District 2003-01	SB 821	DIF
ASSETS				
Cash and investments	\$ 4,109,082	\$ 263,451		\$ 3,996,061
Receivables:				
Accounts		18,457		
Property taxes	257,334			
Due from other governments				
Due from other funds			\$ 155,000	104,403
Total Assets	<u>\$ 4,366,416</u>	<u>\$ 281,908</u>	<u>\$ 155,000</u>	<u>\$ 4,100,464</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 72,459	\$ 3,570		
Accrued payroll				
Due to other funds			\$ 6,039	
Due to other governments	125,713			
Deferred revenue				
Total Liabilities	<u>198,172</u>	<u>3,570</u>	<u>6,039</u>	
FUND BALANCES:				
Reserved for:				
Developer reimbursement				\$ 279,124
Unreserved, reported in				
Special revenue funds	<u>4,168,244</u>	<u>278,338</u>	<u>148,961</u>	<u>3,821,340</u>
Total Fund Balances	<u>4,168,244</u>	<u>278,338</u>	<u>148,961</u>	<u>4,100,464</u>
Total Liabilities and Fund Balances	<u>\$ 4,366,416</u>	<u>\$ 281,908</u>	<u>\$ 155,000</u>	<u>\$ 4,100,464</u>

Special District Funds

<u>Vandalism & Graffiti Reward</u>	<u>Total Special Revenue Funds</u>
\$ 1,620	\$ 11,716,386
2,370	25,264
	396,171
	767,118
	<u>2,169,020</u>
<u>\$ 3,990</u>	<u>\$ 15,073,959</u>
	\$ 645,201
	12,975
\$ 1,000	373,420
	125,713
<u>1,688</u>	<u>535,499</u>
<u>2,688</u>	<u>1,692,808</u>
	279,124
<u>1,302</u>	<u>13,102,027</u>
<u>1,302</u>	<u>13,381,151</u>
<u>\$ 3,990</u>	<u>\$ 15,073,959</u>

CITY OF SAN JACINTO

**NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS - COMBINING BALANCE SHEET**

JUNE 30, 2008

	Capital Projects			
	Underground Utility	Flood Control	Traffic Signalization	TUMF Capital Projects
ASSETS				
Cash and investments	\$ 887,216	\$ 510,214	\$ 65,303	
Cash and investments with fiscal agent				
Receivables:				
Accounts				
Property taxes				
Due from other governments		132,367		\$ 477,511
Due from other funds		2,843,232	559,712	13,587,027
Advances to other funds				
Land held for resale				
Total Assets	\$ 887,216	\$ 3,485,813	\$ 625,015	\$ 14,064,538
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable				
Accrued payroll				
Due to other funds				\$ 14,493,913
Due to other governments				
Deferred revenue				
Total Liabilities				14,493,913
FUND BALANCES				
Reserved for:				
Land held for resale				
Long-term advances to other funds				
Developer reimbursement				
Unreserved, reported in:				
Special revenue funds				
Capital projects funds	\$ 887,216	\$ 3,485,813	\$ 625,015	\$ (429,375)
Total Fund Balances	887,216	3,485,813	625,015	(429,375)
Total Liabilities and Fund Balances	\$ 887,216	\$ 3,485,813	\$ 625,015	\$ 14,064,538

<u>Capital Projects</u>		
Redevelopment Agency	Total Capital Projects Funds	Total Governmental Non-Major Funds
	\$ 1,462,733	13,179,119
\$ 1,931,057	1,931,057	1,931,057
		25,264
		396,171
	609,878	1,376,996
1,538,156	18,528,127	20,697,147
144,128	144,128	144,128
717,378	717,378	717,378
<u>\$ 4,330,719</u>	<u>\$ 23,393,301</u>	<u>\$ 38,467,260</u>

\$ 45,455	\$ 45,455	\$ 690,656
19,647	19,647	32,622
171,579	14,665,492	15,038,912
		125,713
		535,499
<u>236,681</u>	<u>14,730,594</u>	<u>16,423,402</u>

717,378	717,378	717,378
144,128	144,128	144,128
		279,124
		13,102,027
3,232,532	7,801,201	7,801,201
4,094,038	8,662,707	22,043,858
<u>\$ 4,330,719</u>	<u>\$ 23,393,301</u>	<u>\$ 38,467,260</u>

CITY OF SAN JACINTO

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Gas Tax	Measure A	AB2928 Traffic Congestion	Traffic Safety
REVENUES				
Taxes	\$ 620,789	\$ 762,204		
Assessments				
Fines and forfeiture				\$ 205,004
Development fees				
Intergovernmental			\$ 22,440	38,011
Use of money and property		89,137	7,998	12,236
Other				
Total Revenues	620,789	851,341	30,438	255,251
EXPENDITURES				
Current:				
General government				
Public safety				47,100
Public works	620,789	30,913		14,271
Community development				
Culture and leisure				
Debt service:				
Principal		1,134,542		
Interest		12,508		
Capital outlay				79,354
Total Expenditures	620,789	1,177,963		140,725
Excess (Deficiency) of Revenue Over (Under) Expenditures		(326,622)	30,438	114,526
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt				
Transfers in				
Transfers out		(659,240)	(346,088)	(60,025)
Total Other Financing Sources (Uses)		(659,240)	(346,088)	(60,025)
Net change in fund balances		(985,862)	(315,650)	54,501
Fund Balances at Beginning of Year		1,865,744	315,650	241,190
Fund Balances at End of Year	\$ -	\$ 879,882	\$ -	\$ 295,691

Special Revenue Funds

LLPD #1	Park Development	Community Development Block Grant	Parkway Development	Community Facilities District 2003	Community Facilities District #2	CSA 152
\$ 653,634				\$ 1,317,608		
	\$ 43,078					
	51,400	\$ 536,186				\$ 65,075
	18,841		\$ 4,333	42,035		
1,596	69,857	2,890				
655,230	183,176	539,076	4,333	1,359,643		65,075
				2,571,592		
						75,011
				20,964		
653,557	5,053					
						18,880
						3,910
				31,254		249,926
653,557	5,053			2,623,810		347,727
1,673	178,123	539,076	4,333	(1,264,167)		(282,652)
						252,000
		231,021				94,390
	(153)	(531,707)			\$ (149)	
	(153)	(300,686)			(149)	346,390
1,673	177,970	238,390	4,333	(1,264,167)	(149)	63,738
11,887	198,046	(238,390)	94,438	1,108,335	149	(41,177)
\$ 13,560	\$ 376,016	\$ -	\$ 98,771	\$ (155,832)	\$ -	\$ 22,561

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE, (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Bus Shelter	Police Department Technical Grant	Public Safety Sales Tax	Air Quality Improvement
REVENUES				
Taxes			\$ 234,266	
Assessments				
Fines and forfeiture				
Development fees				
Intergovernmental		\$ 869		\$ 41,020
Use of money and property		10	20,992	3,183
Other	\$ 72,000			
Total Revenues	72,000	879	255,258	44,203
EXPENDITURES				
Current:				
General government				
Public safety				
Public works				
Community development	80,069			
Culture and leisure				
Debt service:				
Principal				
Interest				
Capital outlay		780		31,372
Total Expenditures	80,069	780		31,372
Excess (Deficiency) of Revenue Over (Under) Expenditures	(8,069)	99	255,258	12,831
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt				
Transfers in	9,999			
Transfers out		(99)	(493,290)	
Total Other Financing Sources (Uses)	9,999	(99)	(493,290)	
Net change in fund balances	1,930		(238,032)	12,831
Fund Balances at Beginning of Year	25,691		317,408	72,401
Fund Balances at End of Year	\$ 27,621	\$ -	\$ 79,376	\$ 85,232

Special Revenue Funds

AB3229 COPS Program	Fire Mitigation	SB 621 Gaming Impact Grants	Homeland Security Grant	AB1600	Special District Administration	Code Enforcement
						\$ 3,200
	\$ 30,907			\$ 15,255		
\$ 100,000		\$ 361,153				
1,414	23,845	29,251		61,769		2,842
3,245					\$ 410,416	1,592
104,659	54,752	390,404		77,024	410,416	7,634
899		6,817				
					294,855	37,159
114,946		90,000			30,475	
115,845		96,817			325,330	37,159
(11,186)	54,752	293,587		77,024	85,086	(29,525)
	10,745		\$ 55		5,896	
		(264,336)		(158,257)		(50,000)
	10,745	(264,336)	55	(158,257)	5,896	(50,000)
(11,186)	65,497	29,251	55	(81,233)	90,982	(79,525)
17,235	505,689	41,248	(55)	1,390,998	881,219	110,789
\$ 6,049	\$ 571,186	\$ 70,499	\$ -	\$ 1,309,765	\$ 972,201	\$ 31,264

CITY OF SAN JACINTO

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE, (Continued)**

FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	LLPD#2	Assessment	SB 821	DIF
		District 2003-01		
REVENUES				
Taxes				
Assessments	\$ 3,256,125	\$ 289,334		
Fines and forfeiture				
Development fees	458,142			\$ 1,391,070
Intergovernmental			\$ 145,000	
Use of money and property	159,193	6,895	3,961	181,751
Other				
Total Revenues	<u>3,873,460</u>	<u>296,229</u>	<u>148,961</u>	<u>1,572,821</u>
EXPENDITURES				
Current:				
General government		43,375		
Public safety				
Public works				
Community development	2,867,309			
Culture and leisure				
Debt service:				
Principal				
Interest				
Capital outlay				
Total Expenditures	<u>2,867,309</u>	<u>43,375</u>		
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>1,006,151</u>	<u>252,854</u>	<u>148,961</u>	<u>1,572,821</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt				
Transfers in				
Transfers out				(518,944)
Total Other Financing Sources (Uses)				<u>(518,944)</u>
Net change in fund balances	1,006,151	252,854	148,961	1,053,877
Fund Balances at Beginning of Year	3,162,093	25,484		3,046,587
Fund Balances at End of Year	<u>\$ 4,168,244</u>	<u>\$ 278,338</u>	<u>\$ 148,961</u>	<u>\$ 4,100,464</u>

Special Revenue Funds

<u>Vandalism & Graffiti Reward</u>	<u>Total Special Revenue Funds</u>
	\$ 1,617,259
	5,516,701
	208,204
	1,938,452
	1,361,154
\$ 18	669,704
3,284	564,880
<u>3,302</u>	<u>11,876,354</u>
2,000	45,375
	2,626,408
	740,984
	3,300,356
	658,610
	1,153,422
	16,418
	628,107
<u>2,000</u>	<u>9,169,680</u>
<u>1,302</u>	<u>2,706,674</u>
	252,000
	352,106
	<u>(3,082,288)</u>
	<u>(2,478,182)</u>
1,302	228,492
	13,152,659
<u>\$ 1,302</u>	<u>\$ 13,381,151</u>

CITY OF SAN JACINTO

**NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS - COMBINING STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2008

	Capital Projects			TUMF Capital Projects
	Underground Utility	Flood Control	Traffic Signalization	
REVENUES				
Taxes				
Assessments				
Fines and forfeiture				
Development fees		\$ 208,323	\$ 7,868	
Intergovernmental				\$ 4,564,168
Use money and property	\$ 38,918	178,728	34,084	
Other		329,378		
Total Revenues	38,918	716,429	41,952	4,564,168
EXPENDITURES				
Current:				
General government				
Public safety				
Public works				
Community development				
Culture and leisure				
Debt service:				
Principal				
Interest				
Capital outlay				
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,918	716,429	41,952	4,564,168
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease financing				
Transfers in				
Transfers out		(974,582)	(248,252)	(429,753)
Total Other Financing Sources (Uses)		(974,582)	(248,252)	(429,753)
Net Change in Fund Balances	38,918	(258,153)	(206,300)	4,134,415
Fund Balances at Beginning of Year, restated	848,298	3,743,966	831,315	(4,563,790)
Fund Balances at End of Year	\$ 887,216	\$ 3,485,813	\$ 625,015	\$ (429,375)

<u>Capital Projects Redevelopment Agency</u>	<u>Total Capital Projects Funds</u>	<u>Total Governmental Non-Major Funds</u>
		\$ 1,617,259
		5,516,701
		208,204
	\$ 216,191	2,154,643
	4,564,168	5,925,322
\$ 122,157	373,887	1,043,591
62,518	391,896	956,776
<u>184,675</u>	<u>5,546,142</u>	<u>17,422,496</u>
		45,375
		2,626,408
		740,984
648,748	648,748	3,949,104
		658,610
		1,153,422
		16,418
		628,107
<u>648,748</u>	<u>648,748</u>	<u>9,818,428</u>
<u>(464,073)</u>	<u>4,897,394</u>	<u>7,604,068</u>
		252,000
749,287	749,287	1,101,393
(199,358)	(1,851,945)	(4,934,233)
<u>549,929</u>	<u>(1,102,658)</u>	<u>(3,580,840)</u>
85,856	3,794,736	4,023,228
4,008,182	4,867,971	18,020,630
<u>\$ 4,094,038</u>	<u>\$ 8,662,707</u>	<u>\$ 22,043,858</u>