

**CITY OF SAN JACINTO,
CALIFORNIA**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

**Prepared by:
Finance Department**

CITY OF SAN JACINTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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CITY OF SAN JACINTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of San Jacinto, California, as of June 30, 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14; four City Council members have been suspended from participating in federal funded programs. The City's ability to receive federal funds in the future may be at risk

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2010, 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 principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

Vermate, Tami, Day, Co., LLP

Rancho Cucamonga, California
February 22, 2010

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

This is management's discussion and analysis of the financial performance of the City of San Jacinto for the fiscal year ended June 30, 2009. Please read this in conjunction with the City's financial statements, which follow this discussion.

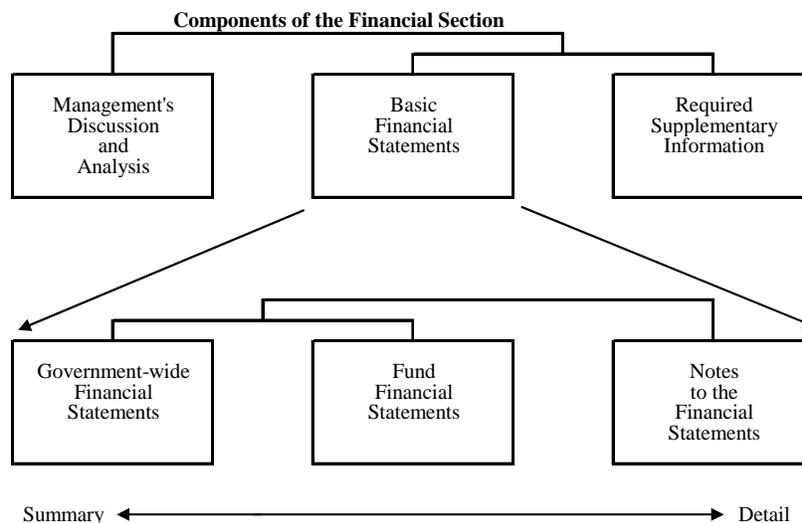
FINANCIAL HIGHLIGHTS

- On the government-wide basis, the City's total net assets increased over the course of the fiscal year by \$4,512,112 to \$161,054,961. The net assets of governmental activities increased by \$3,638,798, or 2 percent, and the net assets of business-type activities increased by \$873,314, or 9 percent.
- The general fund, on the fund financial statements basis, reported revenues in excess of expenditures and other financing sources and uses of \$79,309. The excess was a result of decreased spending in face of the economic downturn.

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, 2009

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, 2009

- *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, 2008 and 2009
 (in thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Total Percent Change |
|--|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|-----------------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Cash and investments | \$ 59,823 | \$ 60,521 | \$ 2,878 | \$ 957 | \$ 62,701 | \$ 61,478 | (2.0)% |
| Current and other assets | 8,326 | 6,545 | 1,619 | 2,967 | 9,945 | 9,512 | (4.4)% |
| Capital assets, net | 102,328 | 106,573 | 10,706 | 11,477 | 113,034 | 118,050 | 4.4% |
| Total assets | 170,477 | 173,639 | 15,203 | 15,401 | 185,680 | 189,040 | 1.8% |
| Long-term liabilities | 12,313 | 11,764 | 4,255 | 3,880 | 16,568 | 15,644 | (5.6)% |
| Other liabilities | 11,114 | 11,186 | 1,455 | 1,155 | 12,569 | 12,341 | (1.8)% |
| Total liabilities | 23,427 | 22,950 | 5,710 | 5,035 | 29,137 | 27,985 | (4.0)% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 103,041 | 105,972 | 6,061 | 7,222 | 109,102 | 113,194 | 3.8% |
| Restricted | 32,730 | 31,154 | | | 32,730 | 31,154 | (4.8)% |
| Unrestricted | 11,279 | 13,563 | 3,432 | 3,144 | 14,711 | 16,707 | 13.6% |
| Total net assets | \$147,050 | \$150,689 | \$ 9,493 | \$ 10,366 | \$156,543 | \$161,055 | 2.9% |

Net assets represent the difference between the City’s resources and its obligations. At June 30, 2009, 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 increased by 9 percent to \$10,366,364, 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, 2009

City of San Jacinto
Government-wide Financial Statements - Changes in Net Assets
 For the fiscal year ended June 30, 2008 and 2009
 (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> | | |
| | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>Change</u> |
| Revenues | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 5,436 | \$ 4,247 | \$ 6,283 | \$ 6,254 | \$11,719 | \$10,501 | (10.4)% |
| Operating grants and contributions | 5,918 | 4,784 | | | 5,918 | 4,784 | (19.2)% |
| Capital grants and contributions | 22,632 | 8,498 | | 33 | 22,632 | 8,531 | (62.3)% |
| General revenues: | | | | | | | |
| Property taxes | 2,711 | 2,662 | | | 2,711 | 2,662 | (1.8)% |
| Redevelopment tax increment | 6,379 | 6,568 | | | 6,379 | 6,568 | 3.0% |
| Franchise taxes | 1,453 | 1,460 | | | 1,453 | 1,460 | 0.5% |
| Sales taxes | 1,987 | 2,278 | | | 1,987 | 2,278 | 14.6% |
| Motor vehicle in lieu taxes | 4,096 | 3,906 | | | 4,096 | 3,906 | (4.6)% |
| Other taxes | 201 | 171 | | | 201 | 171 | (14.9)% |
| Other | 5,059 | 1,504 | (933) | 226 | 4,126 | 1,730 | (58.1)% |
| Total revenues | <u>55,872</u> | <u>36,078</u> | <u>5,350</u> | <u>6,513</u> | <u>61,222</u> | <u>42,591</u> | (30.4)% |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | 3,362 | 3,199 | | | 3,362 | 3,199 | (4.8)% |
| Public safety | 11,312 | 11,282 | | | 11,312 | 11,282 | (0.3)% |
| Public works | 5,960 | 7,030 | | | 5,960 | 7,030 | 18.0% |
| Community development | 12,954 | 8,894 | | | 12,954 | 8,894 | (31.3)% |
| Culture and leisure | 1,519 | 1,574 | | | 1,519 | 1,574 | 3.6% |
| Interest on long-term debt | 451 | 460 | | | 451 | 460 | 2.0% |
| Business-type activities: | | | | | | | |
| Water | | | 2,640 | 2,470 | 2,640 | 2,470 | (6.4)% |
| Solid waste | | | 2,411 | 2,526 | 2,411 | 2,526 | 4.8% |
| Sewer | | | 580 | 644 | 580 | 644 | 11.0% |
| Total expenses | <u>35,558</u> | <u>32,439</u> | <u>5,631</u> | <u>5,640</u> | <u>41,189</u> | <u>38,079</u> | (7.6)% |
| Increase (decrease) in net assets | <u>\$ 20,314</u> | <u>\$ 3,639</u> | <u>\$ (281)</u> | <u>\$ 873</u> | <u>\$20,033</u> | <u>\$4,512</u> | (77.5)% |

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

Revenue

The City’s total revenue was \$42,591,296 for the year ended June 30, 2009. Revenue from governmental activities totaled \$36,077,673 and revenue from business-type activities totaled \$6,513,623. During 2009, capital contributions and grants, restricted to the construction of capital assets, comprised 20 percent of the total revenue of the City, taxes and other general revenues provided 44 percent of the total revenue of the City, and charges for services and operating contributions and grants provided 36 percent of the total revenue of the City.

The majority of the decreases in certain revenues from 2008 to 2009 can be attributed to the economic slow-down and decrease in growth in construction and development activity.

Expenses

The City’s expenses totaled \$38,079,184 for the year. Governmental activity expenses totaled \$32,438,875, or 85 percent of total expenses. Business-type activities incurred \$5,640,309 of expenses during the year, or 15 percent of total expenses.

The majority of the increase in public works expenses relates to an increase in capital project expenditures. The majority of the decrease in community development expenses relates to decreased spending attributed to the economic slowdown and decrease in construction and development activity.

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, 2008 and 2009
(in thousands)

| | Total Cost of Services | | Percent Change | Net Cost of Services | | Percent Change |
|-----------------------|-----------------------------------|------------------|---------------------------|---------------------------------|-------------------|---------------------------|
| | <u>2008</u> | <u>2009</u> | | <u>2008</u> | <u>2009</u> | |
| General government | \$ 3,362 | \$ 3,199 | (4.8)% | \$ (834) | \$ (475) | (43.0)% |
| Public safety | 11,312 | 11,282 | (0.3)% | (8,287) | (8,394) | 1.3% |
| Public works | 5,960 | 7,030 | 18.0% | 13,797 | (2,865) | (120.8)% |
| Community development | 12,954 | 8,894 | (31.3)% | (4,343) | (1,145) | (73.6)% |
| Culture and leisure | 1,519 | 1,574 | 3.6% | (1,454) | (1,571) | 8.0% |
| Total | <u>\$ 35,107</u> | <u>\$ 31,979</u> | (8.9)% | <u>\$ (1,121)</u> | <u>\$(14,450)</u> | 1,189.0% |

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

The cost for all governmental activities this year was \$31,979,282. The City's taxpayers paid for approximately 53 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 \$6,253,740. Expenses of business-type activities were \$5,640,309. Capital grants and contributions were 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, 2009 of \$54,453,906, a decrease of \$1,489,781 over the previous fiscal year. Within the change of combined fund balances, the General Fund increased by \$79,309, related to the economic downturn and decrease in construction and development activity within the City.

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

City of San Jacinto
Fund Financial Statements - Fund Balances
 As of June 30, 2008 and 2009
 (in thousands)

| | 2008 | 2009 | Percent Change |
|---|-----------|-----------|---------------------------|
| Reserved for: | | | |
| Long-term advances to other funds | \$ 435 | \$ 15,973 | 3,572.0% |
| Land held for resale | 752 | 1,024 | 36.2% |
| Funds with negative fund balances | | 892 | 100.0% |
| Developer reimbursement | 279 | | (100.0)% |
| Prepays | 25 | 24 | (4.0)% |
| Total reserved fund balances | 1,491 | 17,913 | 1,101.4% |
| Unreserved: | | | |
| Designated: | | | |
| Capital projects | 12,353 | 11,584 | (6.2)% |
| Contingency | 6,068 | 5,626 | (7.3)% |
| Development services | 3,400 | 2,053 | (39.6)% |
| Equipment replacement | | 1,799 | 100.0% |
| Total unreserved, designated fund balances | 21,821 | 21,062 | (3.5)% |
| Unreserved: | | | |
| Undesignated, reported in: | | | |
| General fund | 1,078 | | (100.0)% |
| Special revenue funds | 15,680 | 17,460 | 11.4% |
| Debt service funds | 3,485 | 5,147 | 47.7% |
| Capital projects funds | 12,389 | (7,128) | (157.5)% |
| Total unreserved, undesignated fund balance | 32,632 | 15,479 | (52.6)% |
| Total fund balances | \$ 55,944 | \$ 54,454 | (2.7)% |

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

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 2008 were re-appropriated in 2009 as part of the City’s capital budget.

After taking into account these adjustments, actual expenditures were \$1,287,653 lower than final budget amounts. The most significant positive variance, \$883,979, 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 were due to careful spending across all areas of operation.

Resources available for appropriation were \$1,061,228 below 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 and investment income were lower.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the City had invested \$118,049,500 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, 2008 and 2009
 (net of depreciation, in thousands)

| | Governmental | | Business-type | | Total | |
|---------------------------------------|---------------------|-------------------|----------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Capital assets not being depreciated: | | | | | | |
| Land and improvements | \$ 2,231 | \$ 3,446 | \$ 55 | \$ 55 | \$ 2,286 | \$ 3,501 |
| Construction in progress | 7,590 | 10,070 | | | 7,590 | 10,070 |
| Depreciable capital assets: | | | | | | |
| Buildings and system | 6,618 | 6,438 | 8,343 | 8,240 | 14,961 | 14,678 |
| Machinery and equipment | 2,590 | 2,128 | 496 | 1,110 | 3,086 | 3,238 |
| Improvements other than buildings | 1,560 | 1,912 | 1,812 | 2,072 | 3,372 | 3,984 |
| Infrastructure | 81,739 | 82,579 | | | 81,739 | 82,579 |
| Total | \$ 102,328 | \$ 106,573 | \$ 10,706 | \$ 11,477 | \$ 113,034 | \$ 118,050 |

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

This year’s major capital asset additions included:

Government-wide, governmental activities:

- Five road rehabilitation and widening projects completed at a final cost of \$2,523,690.
- Two curb/gutter/sidewalk projects completed at a final cost of \$1,104,074.
- Three traffic signalization projects completed at a final cost of \$958,797.

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

Long-term Debt

At June 30, 2009, the City had \$18,498,794 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, 2008 and 2009
(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|------------------------------------|-------------------------|-------------------------------------|------------------------|-------------------------|-------------------------|
| | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> |
| Revenue and other bonds, net | \$ 9,303 | \$ 9,065 | \$ 4,645 | \$ 4,255 | \$ 13,948 | \$ 13,320 |
| Special assessment debt with government commitment, including unpaid interest | 1,634 | 1,633 | | | 1,634 | 1,633 |
| Loans payable | 155 | 25 | | | 155 | 25 |
| Capital leases | 712 | 601 | | | 712 | 601 |
| Unfunded pension liability | 2,554 | 2,417 | | | 2,554 | 2,417 |
| Claims and judgments | 427 | 320 | | | 427 | 320 |
| Compensated absences | 213 | 183 | 21 | | 234 | 183 |
| Total | <u><u>\$ 14,998</u></u> | <u><u>\$ 14,244</u></u> | <u><u>\$ 4,666</u></u> | <u><u>\$ 4,255</u></u> | <u><u>\$ 19,664</u></u> | <u><u>\$ 18,499</u></u> |

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

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 | Aa3 | AAA | AA |
| 2002 Water Refunding Revenue Bonds | Baa1 | A | Not rated |
| 2006 San Jacinto Redevelopment Agency Tax Allocation Bonds | Not rated | Not rated | 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 several 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 \$0 at June 30, 2009.

The General Fund budget for 2008-2009 appropriates \$17,496,770, a decrease of 24 percent below the prior year.

Per City resolution, City utility rates for water, sewer and solid waste services are scheduled to increase every other year. City utility rates were increased by 5 percent, 3 percent, and 2.5 percent, respectively, for fiscal year 2008-2009.

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, California 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, 2009

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and investments | \$ 57,401,402 | \$ 722,294 | \$ 58,123,696 |
| Cash and investments with fiscal agent | 3,120,012 | 234,968 | 3,354,980 |
| Receivables: | | | |
| Accounts, net | 212,969 | 947,369 | 1,160,338 |
| Interest | 223,766 | | 223,766 |
| Taxes | 2,443,399 | | 2,443,399 |
| Notes | 2,300,000 | | 2,300,000 |
| Due from other governments | 1,325,770 | | 1,325,770 |
| Deposits with others | 338,563 | | 338,563 |
| Prepays | 23,849 | 4,662 | 28,511 |
| Internal balances | (1,738,018) | 1,738,018 | |
| Working stock | | 30,989 | 30,989 |
| Land held for resale | 1,024,017 | | 1,024,017 |
| Deferred charges | 390,985 | 245,739 | 636,724 |
| Capital assets: | | | |
| Land and construction in progress | 13,515,984 | 55,222 | 13,571,206 |
| Other capital assets, net of depreciation | 93,056,632 | 11,421,662 | 104,478,294 |
| Total Assets | <u>173,639,330</u> | <u>15,400,923</u> | <u>189,040,253</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 4,651,929 | 464,542 | 5,116,471 |
| Accrued wages | 189,070 | 69,310 | 258,380 |
| Accrued interest payable | 175,459 | 56,137 | 231,596 |
| Due to other governments | 1,417,460 | | 1,417,460 |
| Retentions payable | 194,848 | | 194,848 |
| Unearned revenues | 2,078,173 | | 2,078,173 |
| Deposits payable | | 189,570 | 189,570 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,479,489 | 375,000 | 2,854,489 |
| Due in more than one year | 11,764,305 | 3,880,000 | 15,644,305 |
| Total Liabilities | <u>22,950,733</u> | <u>5,034,559</u> | <u>27,985,292</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 105,972,008 | 7,221,884 | 113,193,892 |
| Restricted for: | | | |
| Public safety | 733,919 | | 733,919 |
| Capital projects | 10,224,941 | | 10,224,941 |
| Community development | 15,045,580 | | 15,045,580 |
| Debt service | 5,149,534 | | 5,149,534 |
| Unrestricted | 13,562,615 | 3,144,480 | 16,707,095 |
| Total Net Assets | <u>\$ 150,688,597</u> | <u>\$ 10,366,364</u> | <u>\$ 161,054,961</u> |

See accompanying notes to financial statements.

CITY OF SAN JACINTO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| Governmental Activities: | | | | |
| General government | \$ 3,199,539 | | \$ 2,724,590 | |
| Public safety | 11,281,822 | \$ 2,331,304 | 515,044 | \$ 41,341 |
| Public works | 7,030,233 | 71,404 | 976,406 | 3,117,005 |
| Community development | 8,893,984 | 1,844,057 | 568,075 | 5,337,278 |
| Culture and leisure | 1,573,704 | | | 2,281 |
| Interest on long-term debt | 459,593 | | | |
| Total Governmental Activities | 32,438,875 | 4,246,765 | 4,784,115 | 8,497,905 |
| Business-Type Activities: | | | | |
| Water | 2,470,248 | 3,022,045 | | |
| Solid waste | 2,526,502 | 2,465,449 | | |
| Sewer | 643,559 | 766,246 | | 33,555 |
| Total Business-Type Activities | 5,640,309 | 6,253,740 | | 33,555 |
| Total | \$ 38,079,184 | \$ 10,500,505 | \$ 4,784,115 | \$ 8,531,460 |

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

Contributions not restricted to specific programs

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

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (474,949) | | \$ (474,949) |
| (8,394,133) | | (8,394,133) |
| (2,865,418) | | (2,865,418) |
| (1,144,574) | | (1,144,574) |
| (1,571,423) | | (1,571,423) |
| (459,593) | | (459,593) |
| <u>(14,910,090)</u> | | <u>(14,910,090)</u> |
| | \$ 551,797 | 551,797 |
| | (61,053) | (61,053) |
| | 156,242 | 156,242 |
| | <u>646,986</u> | <u>95,189</u> |
| <u>(14,910,090)</u> | <u>646,986</u> | <u>(14,814,901)</u> |
| 2,662,426 | | 2,662,426 |
| 6,567,845 | | 6,567,845 |
| 19,951 | | 19,951 |
| 1,459,648 | | 1,459,648 |
| 2,278,046 | | 2,278,046 |
| 3,906,338 | | 3,906,338 |
| 150,725 | | 150,725 |
| 9,172 | | 9,172 |
| 656,126 | 71,605 | 727,731 |
| 839,847 | 153,487 | 993,334 |
| (1,236) | 1,236 | |
| <u>18,548,888</u> | <u>226,328</u> | <u>18,775,216</u> |
| 3,638,798 | 873,314 | 4,512,112 |
| <u>147,049,799</u> | <u>9,493,050</u> | <u>156,542,849</u> |
| <u>\$ 150,688,597</u> | <u>\$ 10,366,364</u> | <u>\$ 161,054,961</u> |

FUND FINANCIAL STATEMENTS

CITY OF SAN JACINTO

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

| | <u>Special Revenue</u> | | <u>Capital Projects</u> | |
|--|------------------------|---------------------|--------------------------------------|----------------------------------|
| | <u>General</u> | <u>LLPD #2</u> | <u>City Capital Projects</u> | <u>TUMF Capital Projects</u> |
| ASSETS | | | | |
| Cash and investments | \$ 19,124,275 | \$ 6,497,279 | \$ 16,308,540 | |
| Cash and investments with fiscal agent | | | | |
| Receivables: | | | | |
| Accounts | 107,564 | | | |
| Interest | 176,196 | | | |
| Taxes | 105,552 | 427,346 | | |
| Prepays | 21,201 | | | |
| Due from other governments | 235,905 | | | \$ 612,706 |
| Due from other funds | 4,652,232 | | 14,512,083 | |
| Notes receivable | | | | |
| Advances to other funds | 1,316,817 | | | 13,407,572 |
| Land held for resale | | | | |
| Total Assets | <u>\$ 25,739,742</u> | <u>\$ 6,924,625</u> | <u>\$ 30,820,623</u> | <u>\$ 14,020,278</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,252,671 | \$ 345,526 | \$ 1,360,165 | |
| Accrued payroll | 152,270 | | | |
| Retentions payable | | | 194,848 | |
| Due to other funds | | | 14,753,527 | \$ 14,314,333 |
| Due to other governments | | | | |
| Deferred revenue | 42,892 | | | 257,145 |
| Advances from other funds | | | 14,512,083 | |
| Total Liabilities | <u>2,447,833</u> | <u>345,526</u> | <u>30,820,623</u> | <u>14,571,478</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Land held for resale | | | | |
| Funds with negative fund balances | 891,843 | | | |
| Advances to other funds | 1,316,817 | | | 13,407,572 |
| Prepays | 21,201 | | | |
| Unreserved, reported in: | | | | |
| General fund | 21,062,048 | | | |
| Special revenue funds | | 6,579,099 | | |
| Debt service fund | | | | |
| Capital projects funds | | | | (13,958,772) |
| Total Fund Balances | <u>23,291,909</u> | <u>6,579,099</u> | | <u>(551,200)</u> |
| Total Liabilities and Fund Balances | <u>\$ 25,739,742</u> | <u>\$ 6,924,625</u> | <u>\$ 30,820,623</u> | <u>\$ 14,020,278</u> |

See accompanying notes to financial statements.

| Debt Service | | |
|---|---|---|
| <u>Redevelopment Debt Service</u> | <u>Total Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
| \$ 7,489,723 | \$ 7,348,092 | \$ 56,767,909 |
| 62,453 | 3,057,559 | 3,120,012 |
| | 105,405 | 212,969 |
| | 47,570 | 223,766 |
| 111 | 1,861,974 | 2,394,983 |
| 2,408 | 240 | 23,849 |
| | 477,159 | 1,325,770 |
| 49,456 | 9,853,434 | 29,067,205 |
| | 2,300,000 | 2,300,000 |
| | 1,248,639 | 15,973,028 |
| | 1,024,017 | 1,024,017 |
| <u>\$ 7,604,151</u> | <u>\$ 27,324,089</u> | <u>\$ 112,433,508</u> |
| | \$ 675,385 | \$ 4,633,747 |
| | 36,800 | 189,070 |
| | | 194,848 |
| | 1,737,363 | 30,805,223 |
| \$ 1,417,460 | | 1,417,460 |
| | 4,466,189 | 4,766,226 |
| 600,000 | 860,945 | 15,973,028 |
| <u>2,017,460</u> | <u>7,776,682</u> | <u>57,979,602</u> |
| | 1,024,017 | 1,024,017 |
| | | 891,843 |
| | 1,248,639 | 15,973,028 |
| 2,408 | 240 | 23,849 |
| | | 21,062,048 |
| | 10,881,412 | 17,460,511 |
| 5,584,283 | (437,157) | 5,147,126 |
| | 6,830,256 | (7,128,516) |
| <u>5,586,691</u> | <u>19,547,407</u> | <u>54,453,906</u> |
| <u>\$ 7,604,151</u> | <u>\$ 27,324,089</u> | <u>\$ 112,433,508</u> |

CITY OF SAN JACINTO

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

JUNE 30, 2009

| | |
|--|-----------------------|
| Fund Balances of Governmental Funds | \$ 54,453,906 |
| 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 | 13,515,984 |
| Capital assets being depreciated | 157,151,540 |
| Accumulated depreciation | (64,094,908) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | |
| Deferred charges | 390,985 |
| 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 | (182,667) |
| Tax allocation bonds | (9,090,200) |
| Special assessment debt | (1,633,491) |
| Pension liability | (2,417,328) |
| Loans payable | (25,401) |
| Capital leases | (600,608) |
| Deferred loss on refunding | 25,566 |
| Accrued interest-tax allocation bonds | (175,459) |
| 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 and moderate housing loans receivable | 2,300,000 |
| Accrued interest on low and moderate housing loans | 47,570 |
| Due from other governments | 340,483 |
| Sales tax receivable | 48,416 |
| 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 | 634,209 |
| Net Assets of Governmental Activities | <u>\$ 150,688,597</u> |

See accompanying notes to financial statements.

CITY OF SAN JACINTO

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

YEAR ENDED JUNE 30, 2009

| | General | Special Revenue | Capital Projects | |
|---|-------------------|------------------|-----------------------------|--------------------------|
| | | LLPD #2 | City Capital Projects | TUMF Capital Projects |
| REVENUES | | | | |
| Taxes and tax increment | \$ 6,371,655 | | | |
| Assessments | | \$ 4,605,965 | | |
| Licenses and permits | 570,751 | | | |
| Fines and forfeitures | 166,189 | | | |
| Development fees | | 38,849 | | |
| Intergovernmental | 4,118,280 | | | \$ 814,775 |
| Charges for services | 408,935 | | | |
| Use of money and property | 487,372 | 107,828 | | |
| Contributions | | | | |
| Other | 3,609,605 | | | |
| Total Revenues | 15,732,787 | 4,752,642 | | 814,775 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,448,261 | | | |
| Public safety | 8,856,565 | | | |
| Public works | 1,091,145 | | | |
| Community development | 2,364,944 | 2,340,715 | | |
| Culture and leisure | 841,916 | | | |
| Pass through payments | | | | |
| ERAF payment | | | | |
| Debt service: | | | | |
| Principal | 83,021 | | | |
| Interest | 20,672 | | | |
| Capital outlay | 87,229 | | \$ 9,804,029 | |
| Total Expenditures | 15,793,753 | 2,340,715 | 9,804,029 | |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | (60,966) | 2,411,927 | (9,804,029) | 814,775 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,969,388 | | 10,995,542 | |
| Transfers out | (1,829,113) | (1,072) | (1,191,513) | (936,600) |
| Total Other Financing Sources (Uses) | 140,275 | (1,072) | 9,804,029 | (936,600) |
| Net Change in Fund Balances | 79,309 | 2,410,855 | | (121,825) |
| Fund Balances at Beginning of Year | 23,212,600 | 4,168,244 | | (429,375) |
| Fund Balances at End of Year | \$ 23,291,909 | \$ 6,579,099 | \$ - | \$ (551,200) |

See accompanying notes to financial statements.

| <u>Debt Service</u> | <u>Total Non-Major</u> | <u>Total</u> |
|----------------------|------------------------|----------------------|
| <u>Redevelopment</u> | <u>Governmental</u> | <u>Governmental</u> |
| <u>Debt Service</u> | <u>Funds</u> | <u>Funds</u> |
| \$ 5,254,276 | \$ 2,769,848 | \$ 14,395,779 |
| | 2,895,901 | 7,501,866 |
| | | 570,751 |
| | 240,479 | 406,668 |
| | 182,209 | 221,058 |
| | 2,217,458 | 7,150,513 |
| | | 408,935 |
| 136,118 | 435,252 | 1,166,570 |
| | 9,172 | 9,172 |
| | 398,163 | 4,007,768 |
| <u>5,390,394</u> | <u>9,148,482</u> | <u>35,839,080</u> |
| 449,161 | 59,047 | 2,956,469 |
| | 2,291,923 | 11,148,488 |
| | 670,504 | 1,761,649 |
| 24,197 | 1,817,281 | 6,547,137 |
| | 709,396 | 1,551,312 |
| 2,290,934 | | 2,290,934 |
| 22,392 | | 22,392 |
| 105,333 | 292,484 | 480,838 |
| 134,427 | 281,459 | 436,558 |
| | 240,590 | 10,131,848 |
| <u>3,026,444</u> | <u>6,362,684</u> | <u>37,327,625</u> |
| <u>2,363,950</u> | <u>2,785,798</u> | <u>(1,488,545)</u> |
| | 723,240 | 13,688,170 |
| (700,000) | (9,031,108) | (13,689,406) |
| (700,000) | (8,307,868) | (1,236) |
| 1,663,950 | (5,522,070) | (1,489,781) |
| <u>3,922,741</u> | <u>25,069,477</u> | <u>55,943,687</u> |
| <u>\$ 5,586,691</u> | <u>\$ 19,547,407</u> | <u>\$ 54,453,906</u> |

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, 2009

| | |
|---|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,489,781) |
| 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 | 8,964,370 |
| Depreciation expense | (4,719,761) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. | |
| Loans receivable | 47,570 |
| Intergovernmental receivables | 192,258 |
| 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 | 240,000 |
| Loans | 130,061 |
| Unfunded pension liability | 136,586 |
| Capital leases | 112,047 |
| 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 | 30,129 |
| Amortization of deferred loss on refunding | (1,763) |
| Amortization of deferred costs of issuance | (12,604) |
| Accrued interest on bonds | (8,668) |
| 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. | 18,354 |
| Change in Net Assets of Governmental Activities | <u>\$ 3,638,798</u> |

See accompanying notes to financial statements.

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 Waste - 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, 2009

| | Enterprise Funds | | | Total | Governmental Activities - Internal Service Fund |
|---|---------------------|-------------------|---------------------|----------------------|--|
| | Water | Solid Waste | Sewer | | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 43,218 | \$ 175,185 | \$ 503,891 | \$ 722,294 | \$ 633,493 |
| Cash investments with fiscal agents | 234,968 | | | 234,968 | |
| Receivables, net: | | | | | |
| Accounts | 470,199 | 361,856 | 115,314 | 947,369 | |
| Deposits with others | | | | | 338,563 |
| Due from other funds | 1,181,466 | | 556,552 | 1,738,018 | |
| Prepays | 1,554 | 1,554 | 1,554 | 4,662 | |
| Inventories | 30,989 | | | 30,989 | |
| Total Current Assets | <u>1,962,394</u> | <u>538,595</u> | <u>1,177,311</u> | <u>3,678,300</u> | <u>972,056</u> |
| Non-Current Assets: | | | | | |
| Deferred charges | 245,739 | | | 245,739 | |
| Capital assets: | | | | | |
| Land | 55,222 | | | 55,222 | |
| Buildings and system | 6,747,489 | | 3,205,661 | 9,953,150 | |
| Machinery and equipment | 2,195,999 | | 430,855 | 2,626,854 | |
| Improvements other than buildings | 3,117,942 | | | 3,117,942 | |
| Less accumulated depreciation | (3,557,029) | | (719,255) | (4,276,284) | |
| Total Non-Current Assets | <u>8,805,362</u> | <u></u> | <u>2,917,261</u> | <u>11,722,623</u> | <u></u> |
| Total Assets | <u>10,767,756</u> | <u>538,595</u> | <u>4,094,572</u> | <u>15,400,923</u> | <u>972,056</u> |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 119,875 | 336,232 | 8,435 | 464,542 | 18,182 |
| Accrued wages | 42,471 | 3,960 | 22,879 | 69,310 | |
| Accrued interest | 56,137 | | | 56,137 | |
| Deposits payable | 189,570 | | | 189,570 | |
| Claims payable | | | | | 319,665 |
| Bonds payable - current | 375,000 | | | 375,000 | |
| Total Current Liabilities | <u>783,053</u> | <u>340,192</u> | <u>31,314</u> | <u>1,154,559</u> | <u>337,847</u> |
| Non-Current Liabilities: | | | | | |
| Bonds payable | 3,880,000 | | | 3,880,000 | |
| Total Non-Current Liabilities | <u>3,880,000</u> | <u></u> | <u></u> | <u>3,880,000</u> | <u></u> |
| Total Liabilities | <u>4,663,053</u> | <u>340,192</u> | <u>31,314</u> | <u>5,034,559</u> | <u>337,847</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 4,679,623 | | 2,917,261 | 7,596,884 | |
| Unrestricted | 1,425,080 | 198,403 | 1,145,997 | 2,769,480 | 634,209 |
| Total Net Assets | <u>\$ 6,104,703</u> | <u>\$ 198,403</u> | <u>\$ 4,063,258</u> | <u>\$ 10,366,364</u> | <u>\$ 634,209</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, 2009

| | Enterprise Fund | | | | Governmental Activities - Internal Service Fund |
|--|---------------------|-------------------|---------------------|----------------------|--|
| | Water | Solid Waste | Sewer | Total | |
| OPERATING REVENUES | | | | | |
| Sales and charges for services | \$ 3,022,045 | \$ 2,465,449 | \$ 766,246 | \$ 6,253,740 | \$ 416,092 |
| Miscellaneous | 33,014 | 119,943 | 530 | 153,487 | 32,871 |
| Total Operating Revenues | 3,055,059 | 2,585,392 | 766,776 | 6,407,227 | 448,963 |
| OPERATING EXPENSES | | | | | |
| Personnel services | 368,604 | 28,794 | 174,077 | 571,475 | |
| Employee benefits | 201,699 | 18,117 | 119,140 | 338,956 | |
| Office expense | 165,792 | 1,872 | 28,217 | 195,881 | 122 |
| Depreciation | 343,196 | | 162,237 | 505,433 | |
| Outside services | 139,158 | 2,081,493 | 24,254 | 2,244,905 | 254,254 |
| Repairs and maintenance | 157,937 | 2,193 | 28,082 | 188,212 | 32,782 |
| Utilities | 372,692 | 163 | 2,736 | 375,591 | 34 |
| Franchises | | 388,673 | | 388,673 | |
| Overhead allocations | 468,076 | 3,659 | 104,158 | 575,893 | |
| Bad debt | | 1,538 | 658 | 2,196 | |
| Claims and judgments | | | | | 173,719 |
| Total Operating Expenses | 2,217,154 | 2,526,502 | 643,559 | 5,387,215 | 460,911 |
| Operating Income (Loss) | 837,905 | 58,890 | 123,217 | 1,020,012 | (11,948) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 46,061 | 4,623 | 20,921 | 71,605 | 30,302 |
| Interest and fiscal charges | (243,052) | | | (243,052) | |
| Amortization of deferred revenues (expenses) | (10,042) | | | (10,042) | |
| Total Non-Operating Revenues (Expenses) | (207,033) | 4,623 | 20,921 | (181,489) | 30,302 |
| Income before transfers and capital contributions | 630,872 | 63,513 | 144,138 | 838,523 | 18,354 |
| Capital contributions | | | 33,555 | 33,555 | |
| Transfers in | 1,191,513 | | | 1,191,513 | |
| Transfers out | (490,031) | (670,000) | (30,246) | (1,190,277) | |
| Change in Net Assets | 1,332,354 | (606,487) | 147,447 | 873,314 | 18,354 |
| Net Assets at Beginning of Year | 4,772,349 | 804,890 | 3,915,811 | 9,493,050 | 615,855 |
| Net Assets at End of Year | \$ 6,104,703 | \$ 198,403 | \$ 4,063,258 | \$ 10,366,364 | \$ 634,209 |

See accompanying notes to financial statements.

CITY OF SAN JACINTO

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2009

| | Business-type Activities- Enterprise Fund | | | | Governmental Activities - Internal Service Fund |
|---|--|--------------|------------|--------------|--|
| | Water | Solid Waste | Sewer | Total | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 3,052,165 | \$ 2,536,038 | \$ 728,580 | \$ 6,316,783 | \$ 341,736 |
| Cash payments to suppliers | (1,820,108) | (2,497,796) | (304,099) | (4,622,003) | (285,987) |
| Cash payments to employees for services | (363,659) | (7,424) | (169,434) | (540,517) | |
| Net Cash Provided By (Used for) Operating Activities | 868,398 | 30,818 | 255,047 | 1,154,263 | 55,749 |
| Cash flows from non-capital financing activities: | | | | | |
| Transfers to other funds | (490,031) | (670,000) | (30,246) | (1,190,277) | |
| Transfer from other funds | 1,191,513 | | | 1,191,513 | |
| Advances from other funds (Advances to other funds) | (808,312) | | (469,754) | (1,278,066) | |
| Net Cash Provided By (Used for) Non-Capital activities | (106,830) | (670,000) | (500,000) | (1,276,830) | |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition or construction of capital assets | (1,242,718) | | | (1,242,718) | |
| Principal payments - bonds | (390,000) | | | (390,000) | |
| Interest and fiscal charges | (237,362) | | | (237,362) | |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (1,870,080) | | | (1,870,080) | |
| Cash flows from investing activities: | | | | | |
| Interest income received | 46,061 | 4,623 | 20,921 | 71,605 | 30,302 |
| Net Cash Provided By (Used for) Investing Activities | 46,061 | 4,623 | 20,921 | 71,605 | 30,302 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,062,451) | (634,559) | (224,032) | (1,921,042) | 86,051 |
| Cash and Cash Equivalents at Beginning of Year | 1,340,637 | 809,744 | 727,923 | 2,878,304 | 547,442 |
| Cash and Cash Equivalents at End of Year | \$ 278,186 | \$ 175,185 | \$ 503,891 | \$ 957,262 | \$ 633,493 |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | | | | | |
| Operating income (loss): | \$ 837,905 | \$ 58,890 | \$ 123,217 | \$ 1,020,012 | \$ (11,948) |
| Adjustments to reconcile operating income to net income provided by (used for) operating activities: | | | | | |
| Depreciation | 343,196 | | 162,237 | 505,433 | |
| (Increase) decrease in assets: | | | | | |
| Accounts receivable | (2,894) | (58,364) | (37,538) | (98,796) | |
| Due from other governments | | 9,010 | | 9,010 | |
| Deposits with others | | | | | 191,279 |
| Prepays | (88) | (88) | (88) | (264) | |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable | (319,959) | 21,613 | 2,576 | (295,770) | (16,355) |
| Accrued wages | 4,945 | (243) | 4,643 | 9,345 | |
| Deposits payable | 5,293 | | | 5,293 | |
| Claims payable | | | | | (107,227) |
| Total Adjustments | 30,493 | (28,072) | 131,830 | 134,251 | 67,697 |
| Net Cash Provided By Operating Activities | \$ 868,398 | \$ 30,818 | \$ 255,047 | \$ 1,154,263 | \$ 55,749 |

Additionally, a non-cash contribution in the form of sewer improvements was donated to the City by a developer in the amount of \$33,555.

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, and other governments.

CITY OF SAN JACINTO

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

JUNE 30, 2009

ASSETS

| | | |
|---|----|------------------|
| Cash and investments | \$ | 4,046,931 |
| Cash and investments with fiscal agents | | 1,625,152 |
| Receivables: | | |
| Accounts | | 201,552 |
| Due from other governments | | 47 |
| Total Assets | \$ | <u>5,873,682</u> |

LIABILITIES

| | | |
|---------------------|----|------------------|
| Accounts payable | \$ | 1,956,303 |
| Deposits payable | | 452,431 |
| Due to others | | 504,447 |
| Due to bond holders | | 2,960,501 |
| Total Liabilities | \$ | <u>5,873,682</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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of San Jacinto (City) 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 principles, 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 (Agency) 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, 2009

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 are reflected in governmental activities; 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, 2009

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.

LLPD #2 Special Revenue Fund – is used to account for activity in the Districts.

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

TUMF – is used to account for capital projects utilizing Transportation Uniform Mitigation Fees.

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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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

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, 2009

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.

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 principles.

Cash and Investments

For purpose of the statement of cash flows, the City considers cash and cash equivalents and cash and investments with fiscal agent 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, 2009

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

Working Stock

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. At June 30, 2009, land held for resale totaled \$773,498 in the RDA Capital Projects Fund and \$250,519 in the RDA Special Revenue Fund with the amount 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 \$282,561 and \$37,104, 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, 2009 for sick leave.

Interfund Advances

The City Capital Projects Fund accounts for all City and Agency capital projects, which are funded through various sources. It is the City's policy and practice to advance funds, which have not yet been received, to the City Capital Projects Fund at the time of project commitment. As such, negative cash is recorded in the Fund that is advancing the cash and positive cash is recorded in the City Capital Projects Fund at the onset of the project. Advances Payable and Receivable are recorded to reflect the outstanding amounts advanced at June 30, 2009. When funds are expended at the City's Capital Projects Fund a transfer is recorded between the two funds and the advance is respectively relieved.

Use of Restricted Resources

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

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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 principles 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 percent 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, 2009

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 2008-2009

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 did not impact the City as they do not currently offer other post employment benefits.

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 did not impact the City.

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 did not impact the City.

Effective in Future Years

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. 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.

GASB Statement No. 54 – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is not effective until June 30, 2011. 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, 2009

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

Effective in Future Years, (Continued)

GASB Statement No. 57 – In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple employers other postemployment benefit plans. The statement is effective for periods beginning after June 15, 2011. This statement is not expected to have a material impact on the financial statements of the City.

GASB Statement No. 58 – In December 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditor by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The statement is effective for periods beginning after June 15, 2009, which would require the City to implement this statement in Fiscal Year 2009-2010. This statement is not expected to have a material impact on the financial statements of the City.

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, 2009

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

Fund Equity, (Continued)

B. Negative Fund Balance and Other Fund Disclosures

The following funds had negative fund balances/retained earnings at June 30, 2009:

| <u>Major Funds</u> | <u>Amount</u> |
|------------------------------------|---------------|
| Capital Projects Fund | |
| TUMF | \$ 551,200 |
| | |
| <u>Non-Major Funds</u> | |
| Special Revenue: | |
| Community Facilities District 2003 | \$ 757,613 |
| Asset Seizure | 1,240 |
| SB821 | 4,578 |
| Debt Service Fund | |
| Assessment District 87-1 | 437,157 |

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. The amounts above have been reserved at the General Fund Balance Sheet.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

| | <u>Amount</u> |
|--|----------------------|
| Statement of Net Assets | |
| Governmental Activities: | |
| Cash and investments | \$ 57,401,402 |
| Cash and investments with fiscal agents | 3,120,012 |
| Business-Type Activities: | |
| Cash and investments | 722,294 |
| Cash and investments with fiscal agents | 234,968 |
| Total | <u>61,478,676</u> |
| Statement of Fiduciary Assets and Liabilities: | |
| Cash and investments | 4,046,931 |
| Cash and investments with fiscal agents | 1,625,152 |
| Total Cash and Investments | <u>\$ 67,150,759</u> |
| Demand accounts | \$ 593,051 |
| Cash on hand | 5,850 |
| Investments | <u>66,551,858</u> |
| Total Cash and Investments | <u>\$ 67,150,759</u> |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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.

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, 2009

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.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment In One Issuer</u> |
|--|-----------------------------|---|---|
| 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, 2009

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 | \$ 48,389,752 | \$48,389,752 | | | |
| Money Market Funds | 12,396,186 | 12,396,186 | | | |
| Local Government Investment Pool CAMP: | | | | | |
| Program Pool | 785,788 | 785,788 | | | |
| Held by bond trustee: | | | | | |
| Guaranteed Investment Contract | 748,800 | | | | \$ 748,800 |
| Money Market Funds | 4,231,332 | 4,231,332 | | | |
| Total | <u>\$ 66,551,858</u> | <u>\$65,803,058</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 748,800</u> |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by 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 Legal Rating | Rating at End of Year | Not Rated |
|--|----------------------|----------------------------|--------------------------|---------------|
| State Investment Pool | \$ 48,389,752 | N/A | | \$ 48,389,752 |
| Money Market Funds | 12,396,186 | A | AAA | |
| Local Government Investment Pool CAMP: | | | | |
| Program Pool | 785,788 | N/A | | 785,788 |
| Held by bond trustee: | | | | |
| Guaranteed investment contract | 748,800 | N/A | | 748,800 |
| Money market funds | 4,231,332 | A | AAA | |
| Total | <u>\$ 66,551,858</u> | | | |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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. At June 30, 2009, the City did not have investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5 percent or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the 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 percent 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 percent of the secured public deposits.

At June 30, 2009, the balances held per bank were \$1,235,477 of which \$985,477 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, 2009

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 provide 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, 2009

NOTE 3 – CAPITAL ASSETS

| | Balance at June 30, 2008 | Additions | Deletions | Balance at June 30, 2009 |
|---|-----------------------------|----------------------|-----------------------|-----------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 2,231,005 | \$ 1,260,421 | \$ (45,790) | \$ 3,445,636 |
| Construction in progress | 7,589,856 | 9,896,974 | (7,416,482) | 10,070,348 |
| Total Capital Assets Not Being Depreciated | <u>9,820,861</u> | <u>11,157,395</u> | <u>(7,462,272)</u> | <u>13,515,984</u> |
| Capital Assets Being Depreciated: | | | | |
| Building and system | 7,402,009 | | (53,711) | 7,348,298 |
| Machinery and equipment | 5,401,243 | 165,806 | (430,813) | 5,136,236 |
| Improvements other than building | 2,460,862 | 526,859 | (105,490) | 2,882,231 |
| Infrastructure | 137,097,985 | 4,686,790 | | 141,784,775 |
| Total Capital Assets Being Depreciated | <u>152,362,099</u> | <u>5,379,455</u> | <u>(590,014)</u> | <u>157,151,540</u> |
| Less Accumulated Depreciation For: | | | | |
| Building and system | (783,911) | (176,999) | 51,207 | (909,703) |
| Machinery and equipment | (2,811,342) | (601,590) | 404,306 | (3,008,626) |
| Improvements other than building | (901,219) | (93,676) | 24,293 | (970,602) |
| Infrastructure | (55,358,481) | (3,847,496) | | (59,205,977) |
| Total Accumulated Depreciation | <u>(59,854,953)</u> | <u>(4,719,761)</u> | <u>479,806</u> | <u>(64,094,908)</u> |
| Total Capital Assets Being Depreciated, Net | <u>92,507,146</u> | <u>659,694</u> | | <u>93,056,632</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 102,328,007</u> | <u>\$ 11,817,089</u> | <u>\$ (7,462,272)</u> | <u>\$ 106,572,616</u> |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 3 – CAPITAL ASSETS, (Continued)

| | Balance at June 30, 2008 | Additions | Deletions | Balance at June 30, 2009 |
|---|-----------------------------|------------|-----------|-----------------------------|
| 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 | 9,919,595 | \$ 33,555 | | 9,953,150 |
| Machinery and equipment | 1,874,244 | 752,610 | | 2,626,854 |
| Improvements other than building | 2,627,835 | 490,107 | | 3,117,942 |
| Total Capital Assets Being Depreciated | 14,421,674 | 1,276,272 | | 15,697,946 |
| Less Accumulated Depreciation For: | | | | |
| Building and system | (1,576,427) | (136,928) | | (1,713,355) |
| Machinery and equipment | (1,378,812) | (138,275) | | (1,517,087) |
| Improvements other than building | (815,612) | (230,230) | | (1,045,842) |
| Total Accumulated Depreciation | (3,770,851) | (505,433) | | (4,276,284) |
| Total Capital Assets Being Depreciated, Net | 10,650,823 | 770,839 | | 11,421,662 |
| Business-Type Activities Capital Assets, Net | \$ 10,706,045 | \$ 770,839 | \$ - | \$ 11,476,884 |

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

| | |
|---|---------------------|
| Governmental Activities: | |
| General government | \$ 291,553 |
| Public safety | 271,190 |
| Public works | 4,101,105 |
| Community development | 55,913 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 4,719,761</u> |
| Business-Type Activities: | |
| Water | \$ 343,196 |
| Sewer | 162,237 |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 505,433</u> |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 – OTHER ASSETS

Notes Receivable

| | Balance Outstanding at June 30, 2009 |
|---|--|
| 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 percent 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. | \$ 2,300,000 |
| Accrued interest on note receivable | 47,570 |
| Total | <u>\$ 2,347,570</u> |

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 percent 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.

Accrued interest on note receivable
Total

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, 2009 was \$783,621.

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 percent 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 13.854 percent 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 5 – RETIREMENT PLAN, (Continued)

Annual pension cost

For 2009, the City's annual pension cost of \$833,297 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

Miscellaneous Plan

| <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> |
|-------------------------------------|---|--|
| 6/30/2007 | \$638 | 100% |
| 6/30/2008 | \$707 | 100% |
| 6/30/2009 | \$833 | 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 percent 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.

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, 2008, valuation was \$(1,640,903) 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 percent. 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 terminate at the end of the amortization period. The amortization period remaining as of June 30, 2008, was 12 years for the Miscellaneous Plan.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 – LONG-TERM DEBT

The description of long-term debt outstanding as of June 30, 2009, 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, 2009 was \$25,401. In addition, \$356,361 was recorded as current pass-through payable to EMWD in the Redevelopment Agency Debt Service Fund as “Due to Other Governments”.

The annual debt service requirements to maturity for the loan payable is as follows:

| Fiscal Year Ending June 30, | EMWD Loan |
|--------------------------------|------------------|
| 2010 | \$ 1,270 |
| 2011 | 1,270 |
| 2012 | 1,270 |
| 2013 | 1,270 |
| 2014 | 1,270 |
| 2015-2019 | 6,350 |
| 2020-2024 | 6,350 |
| 2025-2029 | 6,351 |
| Total | <u>\$ 25,401</u> |

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 were 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 percent and is paid in monthly installments from September, 1997 through June, 2009. At June 30, 2009 the amount outstanding was \$0.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 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, 2009, 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, 2009, 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.

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 percent 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, 2009 was \$230,200.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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 percent and 4.00 percent 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 percent and mature on August 1, 2024, and term bonds of \$4,590,000 accrue interest at 4.60 percent 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, 2009 was \$8,860,000.

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 |
| 2010 | \$ 205,000 | \$ 377,709 | \$ 50,000 | \$ 12,810 |
| 2011 | 210,000 | 371,483 | 50,000 | 9,760 |
| 2012 | 215,000 | 364,975 | 55,000 | 6,557 |
| 2013 | 220,000 | 357,765 | 60,000 | 3,050 |
| 2014 | 230,000 | 349,890 | 15,200 | 610 |
| 2015-2019 | 1,275,000 | 1,614,300 | | |
| 2020-2024 | 1,560,000 | 1,317,150 | | |
| 2025-2029 | 1,945,000 | 921,548 | | |
| 2030-2034 | 2,440,000 | 419,600 | | |
| 2035 | 560,000 | 12,730 | | |
| Total | <u>\$ 8,860,000</u> | <u>\$ 6,107,150</u> | <u>\$ 230,200</u> | <u>\$ 32,787</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 \$262,987 and \$14,967,150, payable through 2013 and 2034, respectively. For the current year, principal and interest paid was \$60,708 for the 1999 Tax Allocation Bonds and \$578,708 for the 2005 Tax Allocation Bonds, and total increment tax revenues received by the Agency totaled \$6,567,845.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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 percent and 4.9 percent 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 percent 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, 2009 is \$2,725,000.

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 percent and 4.75 percent 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 percent 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, 2009 is \$1,530,000. 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, 2009

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:

| Fiscal Year Ending June 30, | 2002 Refunding Revenue Bonds | | 1997 Revenue Bonds | |
|--------------------------------|------------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 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 | 90,000 | 57,060 | 260,000 | 92,125 |
| 2015-2019 | 515,000 | 214,200 | 1,545,000 | 222,063 |
| 2020-2024 | 520,000 | 68,085 | | |
| Total | <u>\$ 1,530,000</u> | <u>\$ 607,887</u> | <u>\$ 2,725,000</u> | <u>\$ 816,063</u> |

The City has pledged 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 \$3,541,063 and \$2,137,887, payable through 2019 and 2023, respectively. For the current year, principal and interest paid was \$355,375 for the 1997 Bonds and \$271,988 for the 2002 Bonds, and total water enterprise revenues received by the City totaled \$3,055,059.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 is \$2,417,328 and is scheduled for repayment as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Payment |
|--------------------------------|---------------------|---------------------|---------------------|
| 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 | 198,378 | 123,882 | 322,260 |
| 2015-2019 | 1,247,764 | 363,536 | 1,611,300 |
| 2020-2022 | 310,459 | 11,801 | 322,260 |
| Total | <u>\$ 2,417,328</u> | <u>\$ 1,127,532</u> | <u>\$ 3,544,860</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, and with an accumulated depreciation to date of \$112,697 and \$99,000, 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 percent and 4.46 percent respectively. The combined outstanding balance at June 30, 2009 for both leases is \$600,608 and is scheduled for repayment as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Payment |
|--------------------------------|-------------------|------------------|-------------------|
| 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 | 72,730 | 4,184 | 76,914 |
| 2015-2016 | 37,605 | 850 | 38,455 |
| Total | <u>\$ 600,608</u> | <u>\$ 73,220</u> | <u>\$ 673,828</u> |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 – LONG-TERM DEBT, (Continued)

G. Changes in Long-Term Liabilities

| | Balance at June 30, 2008 | Additions | Deletions | Balance at June 30, 2009 | Due within one year |
|---|-----------------------------|------------------|---------------------|-----------------------------|------------------------|
| <u>Governmental</u> | | | | | |
| Bonds Payable: | | | | | |
| 1999 Tax Allocation Bonds | \$ 275,200 | | \$ (45,000) | \$ 230,200 | \$ 50,000 |
| 2005 Tax Allocation Bonds | 9,055,000 | | (195,000) | 8,860,000 | 205,000 |
| Less deferred loss on refunding | (27,329) | | 1,763 | (25,566) | |
| 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 | 26,671 | | (1,270) | 25,401 | 1,270 |
| Riverside County Transmission Commission | 128,791 | | (128,791) | | |
| Unfunded pension liability- inactive safety plan | 2,553,914 | | (136,586) | 2,417,328 | 147,172 |
| Lease payable | 712,655 | | (112,047) | 600,608 | 122,891 |
| Claims and judgment | 426,892 | \$ 48,138 | (155,365) | 319,665 | 319,665 |
| Compensated absences | 212,796 | | (30,129) | 182,667 | |
| Governmental Activities Long-Term Liabilities | <u>\$ 14,998,081</u> | <u>\$ 48,138</u> | <u>\$ (802,425)</u> | <u>\$ 14,243,794</u> | <u>\$ 2,479,489</u> |
| <u>Business-Type Activities</u> | | | | | |
| Bonds Payable: | | | | | |
| 1997 Revenue Bonds | \$ 2,925,000 | | \$ (200,000) | \$ 2,725,000 | \$ 210,000 |
| 2002 Revenue Bonds | 1,720,000 | | (190,000) | 1,530,000 | 165,000 |
| Business-Type Activities Long-Term Liabilities | <u>\$ 4,645,000</u> | <u>\$ -</u> | <u>\$ (390,000)</u> | <u>\$ 4,255,000</u> | <u>\$ 375,000</u> |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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 Rate and Method of Apportionment (RMA) 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, 2009 is \$5,400,000.
3. Simultaneously issue \$18,267,762 CFD 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, 2009 is \$184,587.
4. Simultaneously issue \$17,841,416 CFD 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, 2009 is \$17,841,416.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 – LONG-TERM DEBT, (Continued)

H. 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 CFD No. 2002-1 and CFD No. 2 of San Jacinto Special Tax Refunding Bonds, Subordinate Series B. This is a private placement issue. The balance at June 30, 2009 is \$20,529,817.

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

NOTE 7 – SHORT-TERM/LONG-TERM INTERFUND BORROWINGS

Interfund Transactions – Due to/Due from Other Funds

Individual fund interfund receivable and payable balances at June 30, 2009 were as follows:

| Payable Fund | Receivable Fund | | | | | | Totals |
|------------------------------|---------------------|----------------------------|-----------------------|------------------------------|-----------------------|-----------------------|---------------------|
| | General Fund | City Capital Projects Fund | RDA Debt Service Fund | Non-Major Governmental Funds | Enterprise-Water Fund | Enterprise-Sewer Fund | |
| City Capital Projects Fund | \$ 3,162,075 | | | \$ 9,853,434 | \$ 1,181,466 | \$ 556,552 | \$14,753,527 |
| TUMF Capital Projects Fund | | \$14,314,333 | | | | | 14,314,333 |
| Non-Major Governmental Funds | 1,490,157 | 197,750 | \$ 49,456 | | | | 1,737,363 |
| Total | <u>\$ 4,652,232</u> | <u>\$14,512,083</u> | <u>\$ 49,456</u> | <u>\$ 9,853,434</u> | <u>\$ 1,181,466</u> | <u>\$ 556,552</u> | <u>\$30,805,223</u> |

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

| Payable Fund | Receivable Fund | | | Totals |
|------------------------------|--------------------|----------------------------|------------------------------|---------------------|
| | General Fund | TUMF Capital Projects Fund | Non-Major Governmental Funds | |
| RDA Debt Service | \$ 600,000 | | | \$ 600,000 |
| City Capital Projects Fund | | \$ 13,407,572 | \$ 1,104,511 | 14,512,083 |
| Non-Major Governmental Funds | 716,817 | | 144,128 | 860,945 |
| Total | <u>\$1,316,817</u> | <u>\$ 13,407,572</u> | <u>\$ 1,248,639</u> | <u>\$15,973,028</u> |

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 7 – SHORT-TERM/LONG-TERM INTERFUND BORROWINGS, (Continued)

1. Advances between the City Capital projects Fund, the TUMF Capital Project Fund, and other Non-Major Governmental Funds are for cash advanced to the City Capital Projects Fund for expected project costs. Also see Note 1, Significant Accounting Policies.
2. The City’s General Fund advanced cash to the RDA Debt Service Fund to cover debt service payments. The balance at June 30, 2009 is \$600,000.
3. The General Fund previously advanced cash to the Community Facilities District 2003 Fund and the Vandalism & Graffiti Special Revenue Funds to cover costs. The Balances at June 30, 2009 were \$422,788 and \$1,000 respectively. Additionally, the advances to Assessment District 87-1 were for debt service. The balance of \$435,257 is not expected to be repaid within the next year.

NOTE 8 – TRANSFERS IN AND OUT

Individual fund transfers in and transfers out activity as of June 30, 2009 were as follows:

| Transfers-In | Transfers-Out | | | | | | | | | Totals |
|------------------------------|---------------------|-------------------------|----------------------------|----------------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------------|---------------------|
| | General Fund | LLPD #2 Special Revenue | City Capital Projects Fund | TUMF Capital Projects Fund | RDA Debt Service Fund | Non-Major Governmental Funds | Enterprise-Water Fund | Enterprise-Sewer Fund | Enterprise-Solid Waste Fund | |
| General Fund | | | | | | \$ 1,298,948 | \$ 440 | | \$ 670,000 | \$ 1,969,388 |
| City Capital Projects Fund | \$ 1,805,873 | \$ 1,072 | | \$ 936,600 | | 7,732,160 | 489,591 | \$ 30,246 | | 10,995,542 |
| Non-Major Governmental Funds | 23,240 | | | | \$ 700,000 | | | | | 723,240 |
| Enterprise-Water Fund | | | \$ 1,191,513 | | | | | | | 1,191,513 |
| Total | <u>\$ 1,829,113</u> | <u>\$ 1,072</u> | <u>\$ 1,191,513</u> | <u>\$ 936,600</u> | <u>\$ 700,000</u> | <u>\$ 9,031,108</u> | <u>\$490,031</u> | <u>\$ 30,246</u> | <u>\$ 670,000</u> | <u>\$14,879,683</u> |

- 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 9 – DEFERRED REVENUE

The following is a summary of amounts deferred at the Governmental Funds Balance Sheet:

| | | | |
|----------------------------------|----|------------------|-----|
| Assessment District 87-1 | \$ | 1,633,491 | (a) |
| SB 621 Gaming Impact Grants Fund | | 444,682 | (b) |
| General Fund | | 42,892 | (c) |
| TUMF Capital Projects Fund | | 257,145 | (c) |
| RDA Special Revenue Fund | | 2,347,570 | (d) |
| Flood Control Fund | | 13,987 | (c) |
| Vandalism & Graffiti Reward Fund | | 26,459 | (c) |
| | \$ | <u>4,766,226</u> | |

- (a) As noted at Note 6B, this amount represents uncollected special assessments which have been outstanding for several years and is the reason for deferring these amounts at the Statement of Net Assets.
- (b) These funds were received in advance and are considered unearned as of June 30, 2009. As such they are recorded as Deferred Revenue at the Statement of Net Assets.
- (c) These amounts are deferred at the fund level as they have not been collected within the City's period of availability.
- (d) As noted at Note 4, this amount represents Notes Receivable from a developer plus accrued interest.

NOTE 10 – 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, 2009, the amount of these liabilities was \$319,665.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 10 – RISK MANAGEMENT, (Continued)

The amount represents an estimate of \$226,284 for reported claims through June 30, 2009, and \$93,381 of estimated incurred but not reported claims as determined by Perma’s actuary. 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 of Year</u> | <u>Claim Payable</u> | <u>Liability at End of Year</u> |
|-------------|---|--------------------------|-------------------------------------|
| 2007-2008 | \$ 470,174 | \$ (43,282) | \$ 426,892 |
| 2008-2009 | 426,892 | (107,227) | 319,665 |

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, 2009, which can be obtained from Public Entity Risk Management Authority, 77-670 Springfield Land, Suite 1A, Palm Desert, California 92211.

NOTE 11 – 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.

Land Held for Resale

The City of San Jacinto has land held for resale in the amount of \$1,024,017 which was acquired and recorded at acquisition cost. Due to the recent economic downturn, the economic condition of the State and potential sale of the land in the future, the City may need to record a potential loss due to the fair market of the asset at the time of the sale.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 11 – CONTINGENCIES, (Continued)

Construction Commitments

The City has entered into various commitments for construction and/or capital projects. As of June 30, 2009, the City had outstanding contracts commitments of \$4,272,100.

NOTE 12 – FUND BALANCE RESERVATIONS/DESIGNATIONS

The City establishes “reserves” of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund “designations” are established to indicate tentative plans for financial resource utilization in a future period. Each of the City’s reserves and designations is described below:

| | General Fund | Special Revenue LLPD #2 | Capital Projects City Capital Projects | TUMF Capital Projects Fund | RDA Debt Service Fund | Non-major Funds | Total |
|-----------------------------------|--------------|----------------------------|---|-------------------------------|--------------------------|-----------------|---------------|
| Fund Balance | | | | | | | |
| Reserved for: | | | | | | | |
| Prepays | \$ 21,201 | | | | \$ 2,408 | \$ 240 | \$ 23,849 |
| Fund with deficit fund balances | 891,843 | | | | | | 891,843 |
| Long-term advances to other funds | 1,316,817 | | | \$ 13,407,572 | | 1,248,639 | 15,973,028 |
| Land held for resale | | | | | | 1,024,017 | 1,024,017 |
| Total Reservations | 2,229,861 | | | 13,407,572 | 2,408 | 2,272,896 | 17,912,737 |
| Unreserved: | | | | | | | |
| Designated for: | | | | | | | |
| Capital projects | 11,583,904 | | | | | | 11,583,904 |
| Contingency | 5,625,752 | | | | | | 5,625,752 |
| Development services | 2,052,842 | | | | | | 2,052,842 |
| Equipment replacement | 1,799,550 | | | | | | 1,799,550 |
| Total designations | 21,062,048 | | | | | | 21,062,048 |
| Undesignated | | \$ 6,579,099 | | (13,958,772) | 5,584,283 | 17,274,511 | 15,479,121 |
| Total Fund Balance | \$23,291,909 | \$ 6,579,099 | \$ - | \$ (551,200) | \$ 5,586,691 | \$ 19,547,407 | \$ 54,453,906 |

NOTE 13 – 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 Congress has approved the settlement. 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. Implementation of the settlement currently awaits resolution of endangered species issues related to the groundwater recharge program on which the settlement hinges.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 14 – SUBSEQUENT EVENTS

State of California

In July 2009, the California State Legislature passed a series of bills affecting counties, cities, redevelopment agencies and special districts. This legislation authorized the State of California to borrow from or defer revenues to local governments for fiscal year 2009-2010. The revenues affected include the following:

- Property Taxes – County auditors are directed to reduce 2009-2010 property tax allocations by an amount equal to 8 percent, except in limited circumstances.
- Redevelopment Agency Property Taxes - \$1.7 billion in redevelopment revenues will be shifted to the Supplemental Educational Revenue Augmentation Fund in 2009-2010, thereby benefiting the State General Fund. An additional \$350 million is shifted in 2010-2011.

The borrowing and deferrals by the State are expected to materially affect the local government's cash flows subsequent to year-end. On November 1, 2009, the City agreed to the borrowing and has entered into an agreement with the California Statewide Communities Development Authority. The repayment to the City of approximately \$542,021 is expected to take place by May 2010.

The budget crisis has resulted in a continuation of the SERAF payment with approximately a \$1.8 million payment due from the Agency in May 2010.

Federal Funding

The Department of Transportation, Federal Highway Administration, has issued a letter suspending four City Council members. The suspensions may impact the City's ability to receive federal funds in the future.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 5,687,500 | \$ 5,850,186 | \$ 6,371,655 | \$ 521,469 |
| Licenses and permits | 901,500 | 901,500 | 570,751 | (330,749) |
| Fines and forfeitures | 130,500 | 155,600 | 166,189 | 10,589 |
| Intergovernmental | 4,788,300 | 4,823,303 | 4,118,280 | (705,023) |
| Charges for services | 1,049,625 | 1,049,625 | 408,935 | (640,690) |
| Use of money and property | 726,000 | 726,000 | 487,372 | (238,628) |
| Other | 3,287,801 | 3,287,801 | 3,609,605 | 321,804 |
| Total Revenues | <u>16,571,226</u> | <u>16,794,015</u> | <u>15,732,787</u> | <u>(1,061,228)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,413,732 | 2,447,922 | 2,448,261 | (339) |
| Public safety | 9,050,016 | 9,042,834 | 8,856,565 | 186,269 |
| Public works | 1,154,711 | 1,154,711 | 1,091,145 | 63,566 |
| Community development | 3,197,134 | 3,248,923 | 2,364,944 | 883,979 |
| Culture and leisure | 1,055,934 | 935,934 | 841,916 | 94,018 |
| Debt service: | | | | |
| Principal | 86,698 | 86,698 | 83,021 | 3,677 |
| Interest | 22,360 | 22,360 | 20,672 | 1,688 |
| Capital outlay | 129,750 | 142,024 | 87,229 | 54,795 |
| Total Expenditures | <u>17,110,335</u> | <u>17,081,406</u> | <u>15,793,753</u> | <u>1,287,653</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(539,109)</u> | <u>(287,391)</u> | <u>(60,966)</u> | <u>226,425</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 561,000 | 561,000 | 1,969,388 | 1,408,388 |
| Transfers out | (6,147,870) | (4,708,877) | (1,829,113) | 2,879,764 |
| Total Other Financing Sources (Uses) | <u>(5,586,870)</u> | <u>(4,147,877)</u> | <u>140,275</u> | <u>4,288,152</u> |
| Net Change in Fund Balance | (6,125,979) | (4,435,268) | 79,309 | 4,514,577 |
| Fund Balance, Beginning of Year | <u>23,212,600</u> | <u>23,212,600</u> | <u>23,212,600</u> | |
| Fund Balance, End of Year | <u>\$ 17,086,621</u> | <u>\$ 18,777,332</u> | <u>\$ 23,291,909</u> | <u>\$ 4,514,577</u> |

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
LLPD #2**

FOR THE YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Assessments | \$ 4,579,806 | \$ 4,579,806 | \$ 4,605,965 | \$ 26,159 |
| Development fees | 300,000 | 300,000 | 38,849 | (261,151) |
| Use of money and property | 102,980 | 102,980 | 107,828 | 4,848 |
| Total Revenues | 4,982,786 | 4,982,786 | 4,752,642 | (230,144) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | 4,519,405 | 4,519,405 | 2,340,715 | 2,178,690 |
| Total Expenditures | 4,519,405 | 4,519,405 | 2,340,715 | 2,178,690 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 463,381 | 463,381 | 2,411,927 | 1,948,546 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | | (1,074) | (1,072) | 2 |
| Total Other Financing Sources (Uses) | | (1,074) | (1,072) | 2 |
| Net Change in Fund Balance | 463,381 | 462,307 | 2,410,855 | 1,948,548 |
| Fund Balance, Beginning of Year | 4,168,244 | 4,168,244 | 4,168,244 | |
| Fund Balance, End of Year | \$ 4,631,625 | \$ 4,630,551 | \$ 6,579,099 | \$ 1,948,548 |

SUPPLEMENTARY SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF SAN JACINTO

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

JUNE 30, 2009

| | Special Revenue Funds | | | | |
|--|-----------------------|---------------------|---------------------------------|-------------------|-------------------------------------|
| | Gas Tax | Measure A | AB2928 Traffic Congestion | Traffic Safety | Redevelopment Special Revenue |
| ASSETS | | | | | |
| Cash and investments | | \$ 317,007 | \$ 214,331 | \$ 208,731 | |
| Cash and investments with fiscal agent | | | | | \$ 1,115,412 |
| Receivables: | | | | | |
| Accounts | | | | | |
| Interest | | | | | 47,570 |
| Property taxes | | | | | 27 |
| Due from other governments | \$ 16,166 | 153,513 | 73,508 | 28,102 | |
| Due from other funds | | 1,440,548 | 17,345 | 119,010 | 1,678,380 |
| Notes receivable | | | | | 2,300,000 |
| Land held for resale | | | | | 250,519 |
| Total Assets | \$ 16,166 | \$ 1,911,068 | \$ 305,184 | \$ 355,843 | \$ 5,391,908 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 1,857 | | | \$ 2,990 | \$ 3,646 |
| Accrued payroll | | | | | 2,725 |
| Due to other funds | 14,309 | | | | 47,236 |
| Deferred revenue | | | | | 2,347,570 |
| Advances from other funds | | | | | |
| Total Liabilities | 16,166 | | | 2,990 | 2,401,177 |
| FUND BALANCES: | | | | | |
| Reserved for: | | | | | |
| Land held for resale | | | | | 250,519 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | | \$ 1,911,068 | \$ 305,184 | 352,853 | 2,740,212 |
| Total Fund Balances | | 1,911,068 | 305,184 | 352,853 | 2,990,731 |
| Total Liabilities and Fund Balances | \$ 16,166 | \$ 1,911,068 | \$ 305,184 | \$ 355,843 | \$ 5,391,908 |

Special Revenue Funds

| Community Facilities District #2 | LLPD #1 | Park Development | Community Development Block Grant | Parkway Development | Community Facilities District 2003 | CSA 152 |
|--|------------------|---------------------|---|------------------------|--|-----------------------------|
| \$ 12,440 | \$ 31,952 | \$ 39,649 | | \$ 101,101 | | |
| | 21,920 | | | | \$ 206,536 | \$ 71,209 |
| <u>\$ 12,440</u> | <u>\$ 53,872</u> | <u>\$ 39,649</u> | <u>\$ -</u> | <u>\$ 101,101</u> | <u>\$ 206,536</u> | <u>\$ 71,209</u> |
| | \$ 53,872 | | | | \$ 541,361 | \$ 1,413 1,428 68,368 |
| | | | | | 422,788 | |
| | <u>53,872</u> | | | | <u>964,149</u> | <u>71,209</u> |
| <u>\$ 12,440</u> | | <u>\$ 39,649</u> | | <u>\$ 101,101</u> | <u>(757,613)</u> | |
| 12,440 | | 39,649 | | 101,101 | (757,613) | |
| <u>\$ 12,440</u> | <u>\$ 53,872</u> | <u>\$ 39,649</u> | <u>\$ -</u> | <u>\$ 101,101</u> | <u>\$ 206,536</u> | <u>\$ 71,209</u> |

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)

JUNE 30, 2009

| | Special Revenue Funds | | | | |
|--|-----------------------|----------------------------|----------------------------|---------------------------|--------------------|
| | Bus Shelter | Public Safety Sales Tax | Air Quality Improvement | AB3229 COPS Program | Fire Mitigation |
| ASSETS | | | | | |
| Cash and investments | \$ 14,283 | | \$ 88,036 | \$ 50,527 | \$ 607,962 |
| Cash and investments with fiscal agent | | | | | |
| Receivables: | | | | | |
| Accounts | | | | | |
| Interest | | | | | |
| Property taxes | | | | | |
| Due from other governments | | \$ 13,825 | | 29,456 | |
| Due from other funds | | | | | |
| Notes receivable | | | | | |
| Land held for resale | | | | | |
| Total Assets | \$ 14,283 | \$ 13,825 | \$ 88,036 | \$ 79,983 | \$ 607,962 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 40 | | \$ 19,482 | | |
| Accrued payroll | 3,317 | | | | |
| Due to other funds | | \$ 13,825 | | | |
| Deferred revenue | | | | | |
| Advances from other funds | | | | | |
| Total Liabilities | 3,357 | 13,825 | 19,482 | | |
| FUND BALANCES: | | | | | |
| Reserved for: | | | | | |
| Land held for resale | | | | | |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 10,926 | | 68,554 | \$ 79,983 | \$ 607,962 |
| Total Fund Balances | 10,926 | | 68,554 | 79,983 | 607,962 |
| Total Liabilities and Fund Balances | \$ 14,283 | \$ 13,825 | \$ 88,036 | \$ 79,983 | \$ 607,962 |

Special District Funds

| SB 621 Gaming Impact Grants | AB1600 | Special District Administration | Code Enforcement | Asset Seizure | Assessment District 2003-01 | SB 821 |
|--------------------------------------|-------------------|------------------------------------|---------------------|------------------|--------------------------------|----------------|
| \$ 109,574 | \$ 519,504 | \$ 263,678 | \$ 90,089 | | \$ 748,200 | |
| | | | 13,124 | | 65,209 | |
| 413,344 | 288,363 | | | | | |
| <u>\$ 522,918</u> | <u>\$ 807,867</u> | <u>\$ 263,678</u> | <u>\$ 103,213</u> | <u>\$ -</u> | <u>\$ 813,409</u> | <u>\$ -</u> |
| | | \$ 2,314 | \$ 3,114 | | \$ 6,865 | |
| | | 10,345 | | \$ 1,240 | | \$ 4,578 |
| \$ 444,682 | | | | | | |
| <u>444,682</u> | | <u>12,659</u> | <u>3,114</u> | <u>1,240</u> | <u>6,865</u> | <u>4,578</u> |
| 78,236 | \$ 807,867 | 251,019 | 100,099 | (1,240) | 806,544 | (4,578) |
| <u>78,236</u> | <u>807,867</u> | <u>251,019</u> | <u>100,099</u> | <u>(1,240)</u> | <u>806,544</u> | <u>(4,578)</u> |
| <u>\$ 522,918</u> | <u>\$ 807,867</u> | <u>\$ 263,678</u> | <u>\$ 103,213</u> | <u>\$ -</u> | <u>\$ 813,409</u> | <u>\$ -</u> |

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)

JUNE 30, 2009

| | <u>Special District Funds</u> | | |
|--|-------------------------------|--|--|
| | <u>DIF</u> | <u>Vandalism & Graffiti Reward</u> | <u>Total Special Revenue Funds</u> |
| ASSETS | | | |
| Cash and investments | \$ 1,761,665 | \$ 8,660 | \$ 5,187,389 |
| Cash and investments with fiscal agent | | | 1,115,412 |
| Receivables: | | | |
| Accounts | | 27,072 | 105,405 |
| Interest | | | 47,570 |
| Property taxes | | | 228,483 |
| Due from other governments | | | 385,779 |
| Due from other funds | 1,601,458 | | 5,558,448 |
| Notes receivable | | | 2,300,000 |
| Land held for resale | | | 250,519 |
| Total Assets | <u>\$ 3,363,123</u> | <u>\$ 35,732</u> | <u>\$ 15,179,005</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable | | \$ 250 | \$ 637,204 |
| Accrued payroll | | | 17,815 |
| Due to other funds | | | 149,556 |
| Deferred revenue | | 26,459 | 2,818,711 |
| Advances from other funds | | 1,000 | 423,788 |
| Total Liabilities | | <u>27,709</u> | <u>4,047,074</u> |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Land held for resale | | | 250,519 |
| Unreserved, reported in: | | | |
| Special revenue funds | \$ 3,363,123 | 8,023 | 10,881,412 |
| Total Fund Balances | <u>3,363,123</u> | <u>8,023</u> | <u>11,131,931</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,363,123</u> | <u>\$ 35,732</u> | <u>\$ 15,179,005</u> |

CITY OF SAN JACINTO

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

JUNE 30, 2009

| | Capital Projects | | | |
|--|------------------------|---------------------|--------------------------|-----------------------------------|
| | Underground Utility | Flood Control | Traffic Signalization | Highway 79 Capital Projects |
| ASSETS | | | | |
| Cash and investments | \$ 938,205 | \$ 1,118,266 | \$ 104,232 | |
| Cash and investments with fiscal agent | | | | |
| Receivables: | | | | |
| Accounts | | | | |
| Interest | | | | |
| Property taxes | | | | |
| Prepays | | | | |
| Due from other governments | | 91,380 | | |
| Due from other funds | | 2,313,887 | 292,645 | \$ 1,688,454 |
| Notes Receivable | | | | |
| Advances to other funds | | | | |
| Land held for resale | | | | |
| Total Assets | \$ 938,205 | \$ 3,523,533 | \$ 396,877 | \$ 1,688,454 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | | | | |
| Accrued payroll | | | | |
| Due to other funds | | | | |
| Deferred revenue | | \$ 13,987 | | |
| Advances from other funds | | | | |
| Total Liabilities | | 13,987 | | |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Land held for resale | | | | |
| Prepays | | | | |
| Long-term advances to other funds | | | | |
| Unreserved, reported in: | | | | |
| Special revenue funds | | | | |
| Debt service funds | | | | |
| Capital projects funds | \$ 938,205 | 3,509,546 | \$ 396,877 | \$ 1,688,454 |
| Total Fund Balances | 938,205 | 3,509,546 | 396,877 | 1,688,454 |
| Total Liabilities and Fund Balances | \$ 938,205 | \$ 3,523,533 | \$ 396,877 | \$ 1,688,454 |

| Capital Projects | | Total Capital Projects Funds | Debt Service | Total |
|---------------------------------|-------------------------|------------------------------------|---|------------------------------------|
| Fire Station Construction | Redevelopment Agency | | Assessment District 87-1 Debt Service | Governmental Non-Major Funds |
| | | \$ 2,160,703 | | \$ 7,348,092 |
| | \$ 1,942,147 | 1,942,147 | | 3,057,559 |
| | | | | 105,405 |
| | | | | 47,570 |
| | | | \$ 1,633,491 | 1,861,974 |
| | 240 | 240 | | 240 |
| | | 91,380 | | 477,159 |
| | | 4,294,986 | | 9,853,434 |
| | | | | 2,300,000 |
| | 1,248,639 | 1,248,639 | | 1,248,639 |
| | 773,498 | 773,498 | | 1,024,017 |
| \$ - | \$ 3,964,524 | \$ 10,511,593 | \$ 1,633,491 | \$ 27,324,089 |
| | | | | |
| | \$ 38,181 | \$ 38,181 | | \$ 675,385 |
| | 18,985 | 18,985 | | 36,800 |
| | 1,587,807 | 1,587,807 | | 1,737,363 |
| | | 13,987 | \$ 1,633,491 | 4,466,189 |
| | | | 437,157 | 860,945 |
| | 1,644,973 | 1,658,960 | 2,070,648 | 7,776,682 |
| | | | | |
| | 773,498 | 773,498 | | 1,024,017 |
| | 240 | 240 | | 240 |
| | 1,248,639 | 1,248,639 | | 1,248,639 |
| | | | | 10,881,412 |
| | | | (437,157) | (437,157) |
| | 297,174 | 6,830,256 | | 6,830,256 |
| | 2,319,551 | 8,852,633 | (437,157) | 19,547,407 |
| \$ - | \$ 3,964,524 | \$ 10,511,593 | \$ 1,633,491 | \$ 27,324,089 |

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, 2009

| | Special Revenue Funds | | | | |
|---|-----------------------|------------------|---------------------------------|-----------------|-------------------------------------|
| | Gas Tax | Measure A | AB2928 Traffic Congestion | Traffic Safety | Redevelopment Special Revenue |
| REVENUES | | | | | |
| Taxes and tax increment | \$ 577,597 | \$ 672,285 | | | \$ 1,313,569 |
| Assessments | | | | | |
| Fines and forfeiture | | | | \$ 169,812 | |
| Development fees | | | | | |
| Intergovernmental | | 510,585 | \$ 303,451 | 6,422 | |
| Use of money and property | | 34,055 | 3,888 | 6,738 | 36,061 |
| Other | | | | | 13,793 |
| Total Revenues | 577,597 | 1,216,925 | 307,339 | 182,972 | 1,363,423 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | | | | | |
| Public safety | | | | 67,680 | |
| Public works | 577,597 | 19,565 | | 13,142 | |
| Community development | | | | | 296,225 |
| Culture and leisure | | | | | |
| Debt service: | | | | | |
| Principal | | 128,791 | | | 134,667 |
| Interest | | 6,118 | | | 264,989 |
| Capital outlay | | | | 31,528 | |
| Total Expenditures | 577,597 | 154,474 | | 112,350 | 695,881 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | | 1,062,451 | 307,339 | 70,622 | 667,542 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | | 17,530 | |
| Transfers out | | (31,265) | (2,155) | (30,990) | (288,868) |
| Total Other Financing Sources (Uses) | | (31,265) | (2,155) | (13,460) | (288,868) |
| Net Change in Fund Balances | | 1,031,186 | 305,184 | 57,162 | 378,674 |
| Fund Balances at Beginning of Year | | 879,882 | | 295,691 | 2,612,057 |
| Fund Balances at End of Year | \$ - | \$ 1,911,068 | \$ 305,184 | \$ 352,853 | \$ 2,990,731 |

Special Revenue Funds

| Community Facilities District #2 | LLPD #1 | Park Development | Community Development Block Grant | Parkway Development | Community Facilities District 2003 | CSA 152 |
|--|------------|---------------------|---|------------------------|--|------------------|
| | \$ 662,968 | | | | \$ 1,658,461 | |
| \$ 287 | | \$ 2,281 | \$ 198,077 958 | \$ 2,330 | 200 | \$ 71,209 |
| 287 | 662,968 | 2,281 | 199,035 | 2,330 | 1,658,661 | 71,404 |
| | | | | | 2,218,776 | |
| | 674,346 | 35,050 | 6,523 | | 41,666 | 60,200 53 |
| | | | | | | 29,026 10,352 |
| | 674,346 | 35,050 | 6,523 | | 2,260,442 | 99,631 |
| 287 | (11,378) | (32,769) | 192,512 | 2,330 | (601,781) | (28,227) |
| | | | 44 | | | 5,666 |
| | (2,182) | (303,598) | (192,556) | | | |
| | (2,182) | (303,598) | (192,512) | | | 5,666 |
| 287 | (13,560) | (336,367) | | 2,330 | (601,781) | (22,561) |
| 12,153 | 13,560 | 376,016 | | 98,771 | (155,832) | 22,561 |
| \$ 12,440 | \$ - | \$ 39,649 | \$ - | \$ 101,101 | \$ (757,613) | \$ - |

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, 2009

| | Special Revenue Funds | | | | |
|---|-----------------------|----------------------------|-------------------------------|---------------------------|--------------------|
| | Bus Shelter | Public Safety Sales Tax | Air Quality Improvement | AB3229 COPS Program | Fire Mitigation |
| REVENUES | | | | | |
| Taxes and tax increment | | \$ 206,397 | | | |
| Assessments | | | | | |
| Fines and forfeiture | | | | | |
| Development fees | | | | | \$ 23,110 |
| Intergovernmental | | | \$ 30,444 | \$ 100,306 | |
| Use of money and property | | 1,025 | 1,722 | 179 | 13,666 |
| Other | \$ 72,560 | | | 23,685 | |
| Total Revenues | 72,560 | 207,422 | 32,166 | 124,170 | 36,776 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | | | | | |
| Public safety | | | 1,000 | 433 | |
| Public works | | | | | |
| Community development | 89,255 | | | | |
| Culture and leisure | | | | | |
| Debt service: | | | | | |
| Principal | | | | | |
| Interest | | | | | |
| Capital outlay | | | 47,844 | 49,803 | |
| Total Expenditures | 89,255 | | 48,844 | 50,236 | |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (16,695) | 207,422 | (16,678) | 73,934 | 36,776 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | | | |
| Transfers out | | (286,798) | | | |
| Total Other Financing Sources (Uses) | | (286,798) | | | |
| Net Change in Fund Balances | (16,695) | (79,376) | (16,678) | 73,934 | 36,776 |
| Fund Balances at Beginning of Year | 27,621 | 79,376 | 85,232 | 6,049 | 571,186 |
| Fund Balances at End of Year | \$ 10,926 | \$ - | \$ 68,554 | \$ 79,983 | \$ 607,962 |

Special Revenue Funds

| SB 621 Gaming Impact Grants | AB1600 | Special District Administration | Code Enforcement | Asset Seizure | Assessment District 2003-01 | SB 821 |
|--------------------------------------|------------|---------------------------------------|---------------------|------------------|-----------------------------------|------------|
| | | | | | \$ 574,472 | |
| | \$ 10,898 | | \$ 70,667 | | | |
| \$ 129,723 | | | | | | \$ 237,500 |
| 10,531 | 25,641 | | 1,250 | | 10,164 | 1,461 |
| | | \$ 235,283 | 24,818 | | | |
| 140,254 | 36,539 | 235,283 | 96,735 | | 584,636 | 238,961 |
| | | | | | 55,596 | |
| 2,794 | | | | \$ 1,240 | | |
| | | 272,497 | 27,900 | | 834 | |
| 2,794 | | 272,497 | 27,900 | 1,240 | 56,430 | |
| 137,460 | 36,539 | (37,214) | 68,835 | (1,240) | 528,206 | 238,961 |
| (129,723) | (538,437) | (683,968) | | | | (392,500) |
| (129,723) | (538,437) | (683,968) | | | | (392,500) |
| 7,737 | (501,898) | (721,182) | 68,835 | (1,240) | 528,206 | (153,539) |
| 70,499 | 1,309,765 | 972,201 | 31,264 | | 278,338 | 148,961 |
| \$ 78,236 | \$ 807,867 | \$ 251,019 | \$ 100,099 | \$ (1,240) | \$ 806,544 | \$ (4,578) |

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, 2009

| | Special Revenue Funds | | |
|---|-----------------------|-----------------------------------|-----------------------------------|
| | DIF | Vandalism & Graffiti Reward | Total Special Revenue Funds |
| REVENUES | | | |
| Taxes and tax increment | | | \$ 2,769,848 |
| Assessments | | | 2,895,901 |
| Fines and forfeiture | | | 240,479 |
| Development fees | \$ 111,696 | | 145,704 |
| Intergovernmental | | | 1,587,717 |
| Use of money and property | 89,549 | \$ 114 | 242,100 |
| Other | 19,253 | 8,508 | 398,095 |
| Total Revenues | <u>220,498</u> | <u>8,622</u> | <u>8,279,844</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | | 1,901 | 57,497 |
| Public safety | | | 2,291,923 |
| Public works | | | 670,504 |
| Community development | 243,810 | | 978,763 |
| Culture and leisure | | | 709,396 |
| Debt service: | | | |
| Principal | | | 292,484 |
| Interest | | | 281,459 |
| Capital outlay | 107,898 | | 237,073 |
| Total Expenditures | <u>351,708</u> | <u>1,901</u> | <u>5,519,099</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | <u>(131,210)</u> | <u>6,721</u> | <u>2,760,745</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | | | 23,240 |
| Transfers out | (606,131) | | (3,489,171) |
| Total Other Financing Sources (Uses) | <u>(606,131)</u> | | <u>(3,465,931)</u> |
| Net Change in Fund Balances | (737,341) | 6,721 | (705,186) |
| Fund Balances at Beginning of Year | 4,100,464 | 1,302 | 11,837,117 |
| Fund Balances at End of Year | <u>\$ 3,363,123</u> | <u>\$ 8,023</u> | <u>\$ 11,131,931</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, 2009

| | Capital Projects | | | Highway 79 Capital Projects |
|--|------------------------|------------------|--------------------------|-----------------------------------|
| | Underground Utility | Flood Control | Traffic Signalization | |
| REVENUES | | | | |
| Taxes and tax increment | | | | |
| Assessments | | | | |
| Fines and forfeiture | | | | |
| Development fees | \$ 29,821 | | \$ 6,684 | |
| Intergovernmental | | \$ 629,741 | | |
| Use money and property Contributions | 21,168 | 73,337 | 10,672 | \$ 65,584 |
| Other | | | | |
| Total Revenues | 50,989 | 703,078 | 17,356 | 65,584 |
| 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 | 50,989 | 703,078 | 17,356 | 65,584 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | | |
| Transfers out | | (679,345) | (245,494) | (2,953,015) |
| Total Other Financing Sources (Uses) | | (679,345) | (245,494) | (2,953,015) |
| Net Change in Fund Balances | 50,989 | 23,733 | (228,138) | (2,887,431) |
| Fund Balances at Beginning of Year | 887,216 | 3,485,813 | 625,015 | 4,575,885 |
| Fund Balances at End of Year | \$ 938,205 | \$ 3,509,546 | \$ 396,877 | \$ 1,688,454 |

| Capital Projects | | Total Capital Projects Funds | Assessment District 87-1 Debt Service | Total Governmental Non-Major Funds |
|---------------------------------|-------------------------|------------------------------------|---|---|
| Fire Station Construction | Redevelopment Agency | | | |
| | | | | \$ 2,769,848 |
| | | | | 2,895,901 |
| | | | | 240,479 |
| | | \$ 36,505 | | 182,209 |
| | | 629,741 | | 2,217,458 |
| \$ 141 | \$ 22,250 | 193,152 | | 435,252 |
| | 9,172 | 9,172 | | 9,172 |
| | 68 | 68 | | 398,163 |
| <u>141</u> | <u>31,490</u> | <u>868,638</u> | | <u>9,148,482</u> |
| | | | \$ 1,550 | 59,047 |
| | | | | 2,291,923 |
| | | | | 670,504 |
| | 838,518 | 838,518 | | 1,817,281 |
| | | | | 709,396 |
| | | | | 292,484 |
| | | | | 281,459 |
| | 3,517 | 3,517 | | 240,590 |
| | 842,035 | 842,035 | 1,550 | 6,362,684 |
| <u>141</u> | <u>(810,545)</u> | <u>26,603</u> | <u>(1,550)</u> | <u>2,785,798</u> |
| | 700,000 | 700,000 | | 723,240 |
| (141) | (1,663,942) | (5,541,937) | | (9,031,108) |
| (141) | (963,942) | (4,841,937) | | (8,307,868) |
| | (1,774,487) | (4,815,334) | (1,550) | (5,522,070) |
| | 4,094,038 | 13,667,967 | (435,607) | 25,069,477 |
| <u>\$ -</u> | <u>\$ 2,319,551</u> | <u>\$ 8,852,633</u> | <u>\$ (437,157)</u> | <u>\$ 19,547,407</u> |