

**CITY OF SAN JACINTO,  
CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2010**

**Prepared by:  
Finance Department**

**CITY OF SAN JACINTO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**CITY OF SAN JACINTO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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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, 2010, 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, 2010, 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 11; four City Council Members were suspended from participating in federally funded programs. As discussed further in Note 14; each of these Council Members were recalled in a special election on November 2, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2011, 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 budgetary comparison schedules 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.

*Vauriole, Tami, Day, Co., LLP*

Rancho Cucamonga, California  
March 29, 2011

# CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2010

This is management's discussion and analysis of the financial performance of the City of San Jacinto for the fiscal year ended June 30, 2010. Please read this in conjunction with the City's financial statements, which follow this discussion.

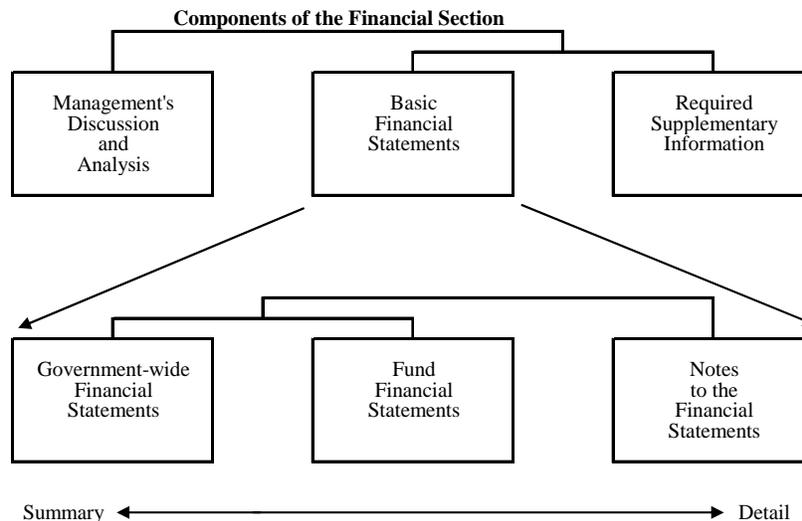
### FINANCIAL HIGHLIGHTS

- On the government-wide basis, the City's total net assets increased over the course of the fiscal year by \$3,977,742 to \$165,032,703. The net assets of governmental activities increased by \$2,934,988, or 2 percent, and the net assets of business-type activities increased by \$1,042,754, or 10 percent.
- The general fund, on the fund financial statements basis, reported a deficiency of revenue under expenditures and other financing sources and uses of \$207,068. The deficiency was a result of decreased revenues 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, 2010

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, 2010**

- *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, 2009 and 2010  
 (in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percent Change</b>
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	
Cash and investments	\$ 60,521	\$ 53,743	\$ 957	\$ 1,748	\$ 61,478	\$ 55,491	(9.7)%
Current and other assets	6,545	10,275	2,967	2,353	9,512	12,628	32.8%
Capital assets, net	106,573	113,439	11,477	11,784	118,050	125,223	6.1%
Total assets	<u>173,639</u>	<u>177,457</u>	<u>15,401</u>	<u>15,885</u>	<u>189,040</u>	<u>193,342</u>	2.3%
Long-term liabilities	11,764	11,415	3,880	3,580	15,644	14,955	(4.1)%
Other liabilities	11,186	12,418	1,155	896	12,341	13,314	7.9%
Total liabilities	<u>22,950</u>	<u>23,833</u>	<u>5,035</u>	<u>4,476</u>	<u>27,985</u>	<u>28,309</u>	1.2%
Net assets:							
Invested in capital assets, net of related debt	105,972	112,961	7,222	7,904	113,194	120,865	6.8%
Restricted	31,154	26,328			31,154	26,328	(15.5)%
Unrestricted	13,563	14,335	3,144	3,505	16,707	17,840	6.8%
Total net assets	<u>\$150,689</u>	<u>\$153,624</u>	<u>\$ 10,366</u>	<u>\$ 11,409</u>	<u>\$161,055</u>	<u>\$165,033</u>	2.5%

Net assets represent the difference between the City’s resources and its obligations. At June 30, 2010, the largest portion of the City’s total net assets, approximately 73 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 10 percent to \$11,409,118, 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, 2010**

**City of San Jacinto**  
**Government-wide Financial Statements - Changes in Net Assets**  
 For the fiscal year ended June 30, 2009 and 2010  
 (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>		
	2009	2010	2009	2010	2009	2010	<u>Change</u>
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 4,247	\$ 4,369	\$ 6,254	\$ 6,352	\$10,501	\$10,721	2.1%
Operating grants and contributions	4,784	5,033			4,784	5,033	5.2%
Capital grants and contributions	8,498	10,990	33		8,531	10,990	28.8%
General revenues:							
Property taxes	2,662	1,868			2,662	1,868	(29.8)%
Redevelopment tax increment	6,568	5,310			6,568	5,310	(19.2)%
Franchise taxes	1,460	1,375			1,460	1,375	(5.8)%
Sales taxes	2,278	2,053			2,278	2,053	(9.9)%
Motor vehicle in lieu taxes	3,906	2,888			3,906	2,888	(26.1)%
Other taxes	171	172			171	172	0.6%
Other	1,504	584	226	287	1,730	871	(49.7)%
Total revenues	<u>36,078</u>	<u>34,642</u>	<u>6,513</u>	<u>6,639</u>	<u>42,591</u>	<u>41,281</u>	(3.1)%
<b>Expenses</b>							
Governmental activities:							
General government	3,199	2,577			3,199	2,577	(19.4)%
Public safety	11,282	11,171			11,282	11,171	(1.0)%
Public works	7,030	5,792			7,030	5,792	(17.6)%
Community development	8,894	10,548			8,894	10,548	18.6%
Culture and leisure	1,574	1,131			1,574	1,131	(28.1)%
Interest on long-term debt	460	488			460	488	6.1%
Business-type activities:							
Water			2,470	2,335	2,470	2,335	(5.5)%
Solid waste			2,526	2,625	2,526	2,625	3.9%
Sewer			644	636	644	636	(1.2)%
Total expenses	<u>32,439</u>	<u>31,707</u>	<u>5,640</u>	<u>5,596</u>	<u>38,079</u>	<u>37,303</u>	(2.0)%
Increase (decrease) in net assets	<u>\$ 3,639</u>	<u>\$ 2,935</u>	<u>\$ 873</u>	<u>\$1,043</u>	<u>\$4,512</u>	<u>\$3,978</u>	(11.8)%

# CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2010

#### Revenue

The City's total revenue was \$41,281,246 for the year ended June 30, 2010. Revenue from governmental activities totaled \$34,642,049 and revenue from business-type activities totaled \$6,639,197. During 2010, capital contributions and grants, restricted to the construction of capital assets, comprised 27 percent of the total revenue of the City, taxes and other general revenues provided 35 percent of the total revenue of the City, and charges for services and operating contributions and grants provided 38 percent of the total revenue of the City.

The majority of the decreases in certain revenues from 2009 to 2010 can be attributed to the economic slow-down and decrease in growth in construction and development activity.

#### Expenses

The City's expenses totaled \$37,303,504 for the year. Governmental activity expenses totaled \$31,707,061, or 85 percent of total expenses. Business-type activities incurred \$5,596,443 of expenses during the year, or 15 percent of total expenses.

The majority of the decrease in most expenses relates to decreased spending attributed to the economic slowdown and decrease in construction and development activity. The increase in community development expenses relates to the \$1.89 million SERAF payment, as discussed in Note 14 to the financial statements.

#### 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, 2009 and 2010  
(in thousands)

	<b>Total Cost of Services</b>		<b>Percent Change</b>	<b>Net Cost of Services</b>		<b>Percent Change</b>
	<u>2009</u>	<u>2010</u>		<u>2009</u>	<u>2010</u>	
General government	\$ 3,199	\$ 2,577	(19.4)%	\$ 475	\$ 446	(6.1)%
Public safety	11,282	11,171	(1.0)%	8,394	7,577	(9.7)%
Public works	7,030	5,792	(17.6)%	2,865	(2,790)	(197.4)%
Community development	8,894	10,548	18.6%	1,145	4,482	291.4%
Culture and leisure	1,574	1,131	(28.1)%	1,571	1,112	(29.2)%
Total	<u>\$ 31,979</u>	<u>\$ 31,219</u>	(2.4)%	<u>\$14,450</u>	<u>\$10,827</u>	(25.1)%

## **CITY OF SAN JACINTO**

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

#### **FOR THE YEAR ENDED JUNE 30, 2010**

The cost for all governmental activities this year was \$31,218,663. The City's taxpayers paid for approximately 44 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 \$6,351,880. Expenses of business-type activities were \$5,596,443. Capital grants and contributions were not received in the water, solid waste and sewer activities to finance capital improvements. The costs of capital improvements are reported as capital assets in the statement of net assets, rather than as expenses in the statement of activities.

#### **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported combined fund balances at June 30, 2010 of \$49,425,417, a decrease of \$5,028,489 from the previous fiscal year. Within the change of combined fund balances, the General Fund decreased by \$207,068, 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, 2010**

**City of San Jacinto**  
**Fund Financial Statements - Fund Balances**  
 As of June 30, 2009 and 2010  
 (in thousands)

	2009	2010	<b>Percent Change</b>
<b>Reserved for:</b>			
Long-term advances to other funds	\$ 15,973	\$ 12,081	(24.4)%
Land held for resale	1,024	874	(14.6)%
Funds with negative fund balances	892	3,834	329.8%
Prepays	24	29	20.8%
Total reserved fund balances	17,913	16,818	(6.1)%
 <b>Unreserved:</b>			
<b>Designated:</b>			
Capital projects	11,584	6,267	(45.9)%
Contingency	5,626	5,140	(8.6)%
Development services	2,053	1,453	(29.2)%
Equipment replacement	1,799	2,156	19.8%
Total unreserved, designated fund balances	21,062	15,016	(28.7)%
 <b>Unreserved:</b>			
<b>Undesignated, reported in:</b>			
Special revenue funds	17,460	12,271	(29.7)%
Debt service funds	5,147	4,082	(20.7)%
Capital projects funds	(7,128)	1,238	(117.4)%
Total unreserved, undesignated fund balance	15,479	17,591	13.6%
 Total fund balances	\$ 54,454	\$ 49,425	(9.2)%

**CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**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 2009 were re-appropriated in 2010 as part of the City’s capital budget.

After taking into account these adjustments, actual expenditures were \$2,345,716 lower than final budget amounts. 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 \$2,243,402 below the final budgeted amount. The following significant revenue sources were different than anticipated:

- Property, real estate transfer and other tax collections were significantly lower; and
- Motor vehicle license fees were significantly lower.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2010, the City had invested \$125,223,340 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, 2009 and 2010  
(net of depreciation, in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Capital assets not being depreciated:						
Land and improvements	\$ 3,446	\$ 3,446	\$ 55	\$ 55	\$ 3,501	\$ 3,501
Construction in progress	10,070	16,883		589	10,070	17,472
Depreciable capital assets, net of accumulated depreciation:						
Buildings and system	6,438	6,262	8,240	8,255	14,678	14,517
Machinery and equipment	2,128	1,710	1,110	1,070	3,238	2,780
Improvements other than buildings	1,912	1,806	2,072	1,815	3,984	3,621
Infrastructure	82,579	83,332			82,579	83,332
<b>Total</b>	<u>\$ 106,573</u>	<u>\$ 113,439</u>	<u>\$ 11,477</u>	<u>\$ 11,784</u>	<u>\$ 118,050</u>	<u>\$ 125,223</u>

**CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2010**

This year’s major capital asset additions included:

Government-wide, governmental activities:

- Four road rehabilitation and widening projects completed at a final cost of \$3,150,763.
- One curb/gutter/sidewalk projects completed at a final cost of \$1,200,566.
- One traffic signalization projects completed at a final cost of \$137,864.

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

**Long-term Debt**

At June 30, 2010, the City had \$17,416,109 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, 2009 and 2010  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenue and other bonds, net	\$ 9,065	\$ 8,631	\$ 4,255	\$ 3,880	\$ 13,320	\$12,511
Special assessment debt with government commitment, including unpaid interest	1,633	1,633			1,633	1,633
Loans payable	25	24			25	24
Capital leases	601	478			601	478
Unfunded pension liability	2,417	2,270			2,417	2,270
Claims and judgments	320	342			320	342
Compensated absences	183	158			183	158
Total	<u>\$ 14,244</u>	<u>\$ 13,536</u>	<u>\$ 4,255</u>	<u>\$ 3,880</u>	<u>\$ 18,499</u>	<u>\$17,416</u>

**CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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 &amp; P</u>	<u>Fitch</u>
Insured Issues:			
1997 Water Revenue Bonds	AAA	AAA	Not rated
2002 Water Refunding Revenue Bonds	Not rated	AAA	AAA
2005 San Jacinto Redevelopment Agency Tax Allocation Bonds	Not rated	AAA	Not rated

**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, 2010.

The General Fund budget for 2010-2011 appropriates \$16,910,322, a decrease of 9 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 2009-2010.

**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/](http://www.ci.san-jacinto.ca.us/).

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF SAN JACINTO**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 52,581,554	\$ 1,512,442	\$ 54,093,996
Cash and investments with fiscal agent	1,161,548	235,001	1,396,549
Receivables:			
Accounts, net	312,344	1,021,434	1,333,778
Interest	79,863		79,863
Taxes	522,092		522,092
Notes	2,300,000		2,300,000
Due from other governments	4,814,848		4,814,848
Deposits with others	384,490		384,490
Prepays	28,969		28,969
Internal balances	(1,053,944)	1,053,944	
Working stock		52,019	52,019
Land held for resale	874,200		874,200
Deferred charges	378,381	225,429	603,810
Assessment district receivable	1,633,492		1,633,492
Capital assets:			
Land and construction in progress	20,328,949	643,761	20,972,710
Other capital assets, net of depreciation	93,110,070	11,140,560	104,250,630
Total Assets	<u>177,456,856</u>	<u>15,884,590</u>	<u>193,341,446</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	6,569,938	307,700	6,877,638
Accrued wages	146,763	76,534	223,297
Accrued interest payable	165,662	51,600	217,262
Due to other governments	1,276,381		1,276,381
Retentions payable	432,927		432,927
Unearned revenues	1,705,491		1,705,491
Deposits payable		159,638	159,638
Noncurrent liabilities:			
Due within one year	2,121,471	300,000	2,421,471
Due in more than one year	11,414,638	3,580,000	14,994,638
Total Liabilities	<u>23,833,271</u>	<u>4,475,472</u>	<u>28,308,743</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	112,961,301	7,904,321	120,865,622
Restricted for:			
Public safety	322,637		322,637
Capital projects	7,570,984		7,570,984
Community development	14,350,896		14,350,896
Debt service	4,082,440		4,082,440
Unrestricted	14,335,327	3,504,797	17,840,124
Total Net Assets	<u>\$ 153,623,585</u>	<u>\$ 11,409,118</u>	<u>\$ 165,032,703</u>

See accompanying notes to financial statements.

**CITY OF SAN JACINTO**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 2,577,117		\$ 2,130,816	
Public safety	11,170,725	\$ 2,595,785	997,850	
Public works	5,791,589		1,296,769	\$ 7,285,126
Community development	10,548,150	1,772,974	607,326	3,685,955
Culture and leisure	1,131,082			18,967
Interest on long-term debt	488,398			
<b>Total Governmental Activities</b>	<b>31,707,061</b>	<b>4,368,759</b>	<b>5,032,761</b>	<b>10,990,048</b>
<b>Business-Type Activities:</b>				
Water	2,334,697	3,010,580		
Solid waste	2,625,439	2,545,772		
Sewer	636,307	795,528		
<b>Total Business-Type Activities</b>	<b>5,596,443</b>	<b>6,351,880</b>		
<b>Total</b>	<b>\$ 37,303,504</b>	<b>\$ 10,720,639</b>	<b>\$ 5,032,761</b>	<b>\$ 10,990,048</b>

**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

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>
\$ (446,301)		\$ (446,301)
(7,577,090)		(7,577,090)
2,790,306		2,790,306
(4,481,895)		(4,481,895)
(1,112,115)		(1,112,115)
(488,398)		(488,398)
<u>(11,315,493)</u>		<u>(11,315,493)</u>
	\$ 675,883	675,883
	(79,667)	(79,667)
	159,221	159,221
	<u>755,437</u>	<u>755,437</u>
<u>(11,315,493)</u>	<u>755,437</u>	<u>(10,560,056)</u>
1,868,303		1,868,303
5,310,218		5,310,218
19,549		19,549
1,374,685		1,374,685
2,052,626		2,052,626
2,888,028		2,888,028
152,525		152,525
251,575	23,878	275,453
452,534	143,877	596,411
(119,562)	119,562	
<u>14,250,481</u>	<u>287,317</u>	<u>14,537,798</u>
2,934,988	1,042,754	3,977,742
150,688,597	10,366,364	161,054,961
<u>\$ 153,623,585</u>	<u>\$ 11,409,118</u>	<u>\$ 165,032,703</u>

# **FUND FINANCIAL STATEMENTS**

**CITY OF SAN JACINTO**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2010**

	General	Capital Projects		Debt Service
		City Capital Projects	TUMF Capital Projects	Redevelopment Debt Service
<b>ASSETS</b>				
Cash and investments	\$ 15,185,581	\$ 14,434,594		\$ 6,445,111
Cash and investments with fiscal agent				2
Receivables:				
Accounts	225,254			
Interest	43,561			
Taxes	71,950			25,365
Prepays	28,969			
Due from other governments	575,268		\$ 3,196,605	
Due from other funds	5,696,567			
Notes receivable				
Advances receivable	4,206,302			
Land held for resale				
Total Assets	<u>\$ 26,033,452</u>	<u>\$ 14,434,594</u>	<u>\$ 3,196,605</u>	<u>\$ 6,470,478</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,741,523	\$ 2,771,605		\$ 1,000
Accrued payroll	103,603			
Retentions payable		432,927		
Due to other funds			\$ 4,580,217	72,000
Due to other governments				1,276,381
Deferred revenue	103,485			
Advances payable		11,230,062		600,000
Total Liabilities	<u>2,948,611</u>	<u>14,434,594</u>	<u>4,580,217</u>	<u>1,949,381</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Land held for resale				
Funds with negative fund balances	3,833,678			
Advances to other funds	4,206,302			
Prepays	28,969			
<b>Unreserved, reported in:</b>				
General fund	15,015,892			
Special revenue funds				
Debt service fund				4,521,097
Capital projects funds			(1,383,612)	
Total Fund Balances	<u>23,084,841</u>	<u></u>	<u>(1,383,612)</u>	<u>4,521,097</u>
Total Liabilities and Fund Balances	<u>\$ 26,033,452</u>	<u>\$ 14,434,594</u>	<u>\$ 3,196,605</u>	<u>\$ 6,470,478</u>

See accompanying notes to financial statements.

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 15,921,206	\$ 51,986,492
1,161,546	1,161,548
83,815	309,069
36,302	79,863
2,058,269	2,155,584
1,042,975	28,969
	4,814,848
	5,696,567
2,300,000	2,300,000
7,875,039	12,081,341
874,200	874,200
<u>\$ 31,353,352</u>	<u>\$ 81,488,481</u>

\$ 1,033,133	\$ 6,547,261
43,160	146,763
	432,927
1,044,350	5,696,567
	1,276,381
4,724,395	4,827,880
1,305,223	13,135,285
<u>8,150,261</u>	<u>32,063,064</u>

874,200	874,200
	3,833,678
7,875,039	12,081,341
	28,969
	15,015,892
12,270,888	12,270,888
(438,657)	4,082,440
2,621,621	1,238,009
<u>23,203,091</u>	<u>49,425,417</u>
<u>\$ 31,353,352</u>	<u>\$ 81,488,481</u>

**CITY OF SAN JACINTO**

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

**JUNE 30, 2010**

Fund Balances of Governmental Funds	\$ 49,425,417
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	20,328,949
Capital assets being depreciated	161,875,070
Accumulated depreciation	(68,765,000)
Deferred charges in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Deferred charges	378,381
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	(157,547)
Tax allocation bonds	(8,655,000)
Special assessment debt and unmatured interest	(1,633,491)
Pension liability	(2,270,156)
Loans payable	(24,131)
Capital leases	(477,717)
Deferred loss on refunding	23,803
Accrued interest payable	(165,662)
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	36,302
Due from other governments	786,087
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	<u>618,280</u>
Net Assets of Governmental Activities	<u>\$ 153,623,585</u>

See accompanying notes to financial statements.

**CITY OF SAN JACINTO**

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

**YEAR ENDED JUNE 30, 2010**

	General	Capital Projects		Debt Service
		City Capital Projects	TUMF Capital Projects	Redevelopment Debt Service
<b>REVENUES</b>				
Taxes and tax increment	\$ 5,315,163			\$ 4,248,174
Assessments				
Licenses and permits	457,908			
Fines and forfeitures	431,089			
Development fees				
Intergovernmental	3,618,698		\$ 5,439,125	
Charges for services	467,771			
Use of money and property	212,463			57,066
Other	2,633,272			
<b>Total Revenues</b>	<b>13,136,364</b>		<b>5,439,125</b>	<b>4,305,240</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,860,176			450,323
Public safety	8,591,624			
Public works	592,560			
Community development	1,659,530			4,246
Culture and leisure	464,812			
Pass through payments				1,835,440
ERAF payment				1,889,895
Debt service:				
Principal	89,364			294,899
Interest	16,795			196,031
Capital outlay	11,366	\$ 12,709,894		
<b>Total Expenditures</b>	<b>13,286,227</b>	<b>12,709,894</b>		<b>4,670,834</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(149,863)	(12,709,894)	5,439,125	(365,594)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	391,288	12,829,456		
Transfers out	(448,493)	(119,562)	(6,271,537)	(700,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(57,205)</b>	<b>12,709,894</b>	<b>(6,271,537)</b>	<b>(700,000)</b>
<b>Net Change in Fund Balances</b>	<b>(207,068)</b>		<b>(832,412)</b>	<b>(1,065,594)</b>
Fund Balances at Beginning of Year	23,291,909		(551,200)	5,586,691
Fund Balances at End of Year	\$ 23,084,841	\$ -	\$ (1,383,612)	\$ 4,521,097

See accompanying notes to financial statements.

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 2,274,582	\$ 11,837,919
6,022,849	6,022,849
	457,908
144,372	575,461
173,891	173,891
2,224,439	11,282,262
	467,771
227,469	496,998
427,360	3,060,632
<u>11,494,962</u>	<u>34,375,691</u>
5,368	2,315,867
2,467,513	11,059,137
785,664	1,378,224
4,114,548	5,778,324
666,270	1,131,082
	1,835,440
	1,889,895
175,098	559,361
269,732	482,558
165,491	12,886,751
<u>8,649,684</u>	<u>39,316,639</u>
<u>2,845,278</u>	<u>(4,940,948)</u>
1,264,574	14,485,318
(7,033,267)	(14,572,859)
<u>(5,768,693)</u>	<u>(87,541)</u>
(2,923,415)	(5,028,489)
<u>26,126,506</u>	<u>54,453,906</u>
<u>\$ 23,203,091</u>	<u>\$ 49,425,417</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, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (5,028,489)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. Additionally, capital contributions are reported as program revenues in the Statement of Activities. This activity is reconciled as follows:	
Cost of assets capitalized less disposals	11,583,910
Depreciation expense	(4,717,507)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	
Loans receivable	11,268
Intergovernmental receivables	374,652
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.	
Repayments:	
Bonds	435,200
Loans	1,270
Unfunded pension liability	147,172
Capital leases	122,891
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	25,120
Amortization of deferred loss on refunding	(1,763)
Amortization of deferred costs of issuance	(12,604)
Accrued interest on bonds	9,797
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.	(15,929)
Change in Net Assets of Governmental Activities	<u>\$ 2,934,988</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, 2010**

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water	Solid Waste	Sewer		
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 606,761	\$ 68,834	\$ 836,847	\$ 1,512,442	\$ 595,062
Cash investments with fiscal agents	235,001			235,001	
Receivables, net:					
Accounts	528,733	371,183	121,518	1,021,434	3,275
Deposits with others					384,490
Inventories	52,019			52,019	
Total Current Assets	<u>1,422,514</u>	<u>440,017</u>	<u>958,365</u>	<u>2,820,896</u>	<u>982,827</u>
Non-Current Assets:					
Deferred charges	225,429			225,429	
Advances receivable	655,306		398,638	1,053,944	
Capital assets:					
Land	55,222			55,222	
Construction in progress	588,539			588,539	
Buildings and system	6,747,489		3,358,434	10,105,923	
Machinery and equipment	2,367,165		430,856	2,798,021	
Improvements other than buildings	3,117,942			3,117,942	
Less accumulated depreciation	(4,000,522)		(880,804)	(4,881,326)	
Total Non-Current Assets	<u>9,756,570</u>		<u>3,307,124</u>	<u>13,063,694</u>	
Total Assets	<u>11,179,084</u>	<u>440,017</u>	<u>4,265,489</u>	<u>15,884,590</u>	<u>982,827</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	114,178	185,410	8,112	307,700	22,677
Accrued wages	46,021	5,921	24,592	76,534	
Accrued interest	51,600			51,600	
Deposits payable	159,638			159,638	
Claims payable					341,870
Bonds payable - current	300,000			300,000	
Total Current Liabilities	<u>671,437</u>	<u>191,331</u>	<u>32,704</u>	<u>895,472</u>	<u>364,547</u>
Non-Current Liabilities:					
Bonds payable	3,580,000			3,580,000	
Total Non-Current Liabilities	<u>3,580,000</u>			<u>3,580,000</u>	
Total Liabilities	<u>4,251,437</u>	<u>191,331</u>	<u>32,704</u>	<u>4,475,472</u>	<u>364,547</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,995,835		2,908,486	7,904,321	
Unrestricted	1,931,812	248,686	1,324,299	3,504,797	618,280
Total Net Assets	<u>\$ 6,927,647</u>	<u>\$ 248,686</u>	<u>\$ 4,232,785</u>	<u>\$ 11,409,118</u>	<u>\$ 618,280</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, 2010**

	Enterprise Fund				Governmental Activities - Internal Service Fund
	Water	Solid Waste	Sewer	Total	
<b>OPERATING REVENUES</b>					
Sales and charges for services	\$ 3,010,580	\$ 2,545,772	\$ 795,528	\$ 6,351,880	\$ 597,727
Miscellaneous	13,978	129,049	850	143,877	11,345
Total Operating Revenues	<u>3,024,558</u>	<u>2,674,821</u>	<u>796,378</u>	<u>6,495,757</u>	<u>609,072</u>
<b>OPERATING EXPENSES</b>					
Personnel services	328,689	42,813	189,477	560,979	
Employee benefits	192,542	23,649	136,485	352,676	
Office expense	175,263	396	19,001	194,660	277
Depreciation	443,494		161,549	605,043	
Outside services	126,059	2,148,222	22,999	2,297,280	265,118
Repairs and maintenance	125,839	109	38,569	164,517	26,232
Utilities	361,895	239	2,459	364,593	
Franchises		405,161		405,161	
Overhead allocations	333,345	4,850	65,768	403,963	
Claims and judgments					306,711
Total Operating Expenses	<u>2,087,126</u>	<u>2,625,439</u>	<u>636,307</u>	<u>5,348,872</u>	<u>598,338</u>
Operating Income	<u>937,432</u>	<u>49,382</u>	<u>160,071</u>	<u>1,146,885</u>	<u>10,734</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	13,521	901	9,456	23,878	5,358
Interest and fiscal charges	(237,529)			(237,529)	
Amortization of deferred revenues (expenses)	(10,042)			(10,042)	
Total Non-Operating Revenues (Expenses)	<u>(234,050)</u>	<u>901</u>	<u>9,456</u>	<u>(223,693)</u>	<u>5,358</u>
Income before transfers and capital contributions	703,382	50,283	169,527	923,192	16,092
Transfers in	708,102		157,914	866,016	
Transfers out	(588,540)		(157,914)	(746,454)	(32,021)
Change in Net Assets	<u>822,944</u>	<u>50,283</u>	<u>169,527</u>	<u>1,042,754</u>	<u>(15,929)</u>
Net Assets at Beginning of Year	6,104,703	198,403	4,063,258	10,366,364	634,209
Net Assets at End of Year	<u>\$ 6,927,647</u>	<u>\$ 248,686</u>	<u>\$ 4,232,785</u>	<u>\$ 11,409,118</u>	<u>\$ 618,280</u>

See accompanying notes to financial statements.

**CITY OF SAN JACINTO**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities- Enterprise Fund			Total	Governmental Activities - Internal Service Fund
	Water	Solid Waste	Sewer		
Cash flows from operating activities:					
Cash received from customers	\$ 2,944,994	\$ 2,665,494	\$ 790,174	\$ 6,400,662	\$ 628,002
Cash payments to suppliers	(1,349,019)	(2,731,894)	(284,052)	(4,364,965)	(639,770)
Cash payments to employees for services	(325,139)	(40,852)	(187,764)	(553,755)	
Net Cash Provided By (Used for) Operating Activities	1,270,836	(107,252)	318,358	1,481,942	(11,768)
Cash flows from non-capital financing activities:					
Transfers to other funds	(588,540)		(157,914)	(746,454)	(32,021)
Transfer from other funds	708,102		157,914	866,016	
Advances from other funds (Advances to other funds)	526,160		157,914	684,074	
Net Cash Provided By (Used for) Non-Capital activities	645,722		157,914	803,636	(32,021)
Cash flows from capital and related financing activities:					
Acquisition or construction of capital assets	(759,705)		(152,772)	(912,477)	
Deferred Charges	20,310			20,310	
Bond payable paid	(375,000)			(375,000)	
Interest and fiscal charges	(252,108)			(252,108)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,366,503)		(152,772)	(1,519,275)	
Cash flows from investing activities:					
Interest income received	13,521	901	9,456	23,878	5,358
Net Cash Provided By (Used for) Investing Activities	13,521	901	9,456	23,878	5,358
Net Increase (Decrease) in Cash and Cash Equivalents	563,576	(106,351)	332,956	790,181	(38,431)
Cash and Cash Equivalents at Beginning of Year	278,186	175,185	503,891	957,262	633,493
Cash and Cash Equivalents at End of Year	\$ 841,762	\$ 68,834	\$ 836,847	\$ 1,747,443	\$ 595,062
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income:	\$ 937,432	\$ 49,382	\$ 160,071	\$ 1,146,885	\$ 10,734
Adjustments to reconcile operating income to net income provided by (used for) operating activities:					
Depreciation	443,494		161,549	605,043	
(Increase) decrease in assets:					
Accounts receivable	(58,534)	(9,327)	(6,206)	(74,067)	(3,275)
Inventories	(21,030)			(21,030)	
Deposits with others					(45,927)
Prepays	1,554	1,554	1,554	4,662	
Increase (decrease) in liabilities:					
Accounts payable	(5,697)	(150,822)	(323)	(156,842)	4,495
Accrued wages	3,550	1,961	1,713	7,224	
Deposits payable	(29,933)			(29,933)	
Claims payable					22,205
Total Adjustments	333,404	(156,634)	158,287	335,057	(22,502)
Net Cash Provided By Operating Activities	\$ 1,270,836	\$ (107,252)	\$ 318,358	\$ 1,481,942	\$ (11,768)

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, 2010**

**ASSETS**

Cash and investments	\$	5,057,116
Cash and investments with fiscal agents		1,597,214
Receivables:		
Accounts		138,049
Due from other governments		10
Total Assets	\$	<u>6,792,389</u>

**LIABILITIES**

Accounts payable	\$	70,961
Deposits payable		3,622,424
Due to others		3,143
Due to bond holders		3,095,861
Total Liabilities	\$	<u>6,792,389</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, 2010**

##### *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, re-planning, and redesign of blighted areas within the City which are stagnant, improperly utilized, and unproductive because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility, or usefulness, or for other causes.

###### 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, 2010

##### *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, 2010

#### *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.

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.

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.

## CITY OF SAN JACINTO

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED JUNE 30, 2010

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

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.

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.

## **CITY OF SAN JACINTO**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED JUNE 30, 2010**

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

###### 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.

###### 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, 2010, land held for resale totaled \$708,200 in the RDA Capital Projects Fund and \$166,000 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 \$255,293 and \$86,577, 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, 2010 for sick leave.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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

Interfund Advances

The City Capital Projects Fund accounts for all City capital projects, which are funded through various sources. It is the City’s policy and practice to advance funds, even if not yet 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, 2010. 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.

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

## CITY OF SAN JACINTO

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED JUNE 30, 2010

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

###### 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.

###### 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 2009-2010

**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 effective July 1, 2009. The City implemented this statement effective July 1, 2009, which had no material impact.

**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 was effective June 30, 2010. This statement did not have a material impact on the City.

###### Effective in Future Years

**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.

**GASB Statement No. 57** – In December 2009, The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent-Employer Plan*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This statement is not effective until June 30, 2012. 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, 2010

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

###### Effective in Future Years, (Continued)

**GASB Statement No. 59** – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is not effective until June 30, 2011. The City has not determined its effect on the financial statements.

**GASB Statement No. 60** – In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The statement is effective for periods beginning after December 15, 2011. The City has not determined its effect on the financial statements.

**GASB Statement No. 61** – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 3*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The statement is effective for periods beginning after June 15, 2012. The City has not determined its effect on the financial statements.

###### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. See Note 12.

#### **A. Budgetary Principals**

##### General Budget Policies

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

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

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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

**B. Negative Fund Balance and Other Fund Disclosures**

The following funds had negative fund balances/retained earnings at June 30, 2010:

<u>Major Funds</u>	<u>Amount</u>
Capital Projects Fund	
TUMF	\$ (1,383,612) *
<u>Non-Major Funds</u>	
Special Revenue:	
Community Development Block Grant	\$ (500,000) *
Community Facilities District 2003	(1,436,575) *
CSA 152	(71,816) *
SB 621 Indian Gaming Impact Grants	(361) *
CFD 2010-1 Administration	(2,657) *
Debt Service Fund:	
Assessment District 87-1	(438,657) **

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.

\*\* Accounted for as Advances Payable in the AD-87-1 Debt Service Fund.

*NOTE 2 – CASH AND INVESTMENTS*

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

	<u>Amount</u>
Statement of Net Assets	
Governmental Activities:	
Cash and investments	\$ 52,581,554
Cash and investments with fiscal agents	1,161,548
Business-Type Activities:	
Cash and investments	1,512,442
Cash and investments with fiscal agents	235,001
Total	<u>55,490,545</u>
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	5,057,116
Cash and investments with fiscal agents	1,597,214
Total Cash and Investments	<u>\$ 62,144,875</u>
Demand accounts/Money market account	\$ 20,220,495
Cash on hand	5,850
Investments	41,918,530
Total Cash and Investments	<u>\$ 62,144,875</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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
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%	None
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, 2010**

*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, 2010**

*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	\$ 29,102,484	\$29,102,484			
Local Government Investment Pool CAMP:					
Program Pool	251,640	251,640			
Certificates of Deposits	9,570,635		\$ 4,021,743	\$ 5,548,892	
Held by bond trustee:					
Federal National Mortgage Securities	767,836			767,836	
Money Market Funds	2,225,935	2,225,935			
Total	\$ 41,918,530	\$31,580,059	\$ 4,021,743	\$ 6,316,728	\$ -

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	\$ 29,102,484	N/A		\$ 29,102,484
Local Government Investment Pool CAMP:				
Program Pool	251,640	N/A		251,640
Certificates of Deposit	9,570,635	N/A		9,570,635
Held by bond trustee:				
Federal National Mortgage Securities	767,836	N/A		767,836
Money market funds	2,225,935	A	AAA	
Total	\$ 41,918,530			

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2010, the City held certificates of deposit with two financial institutions comprising 23 percent of investment balance.

Deposits:

Bank of Hemet	\$ 6,044,977
Robobank	3,525,658

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, and other eligible securities as defined by Government Code Section 53651 and 53652. At June 30, 2010, the City's balances held in the financial institution (Bank of Hemet) were \$20,909,581.

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. Pursuant to the Agreement with financial institutions where certificates of deposit are held, the securities pledged are consistent with the collateral as noted in the previous paragraph held by the financial institutions custodian but not in the City's name.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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; 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, 2010**

*NOTE 3 – CAPITAL ASSETS*

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,445,636			\$ 3,445,636
Construction in progress	10,070,348	\$ 11,533,618	\$ (4,720,653)	16,883,313
Total Capital Assets Not Being Depreciated	<u>13,515,984</u>	<u>11,533,618</u>	<u>(4,720,653)</u>	<u>20,328,949</u>
Capital Assets Being Depreciated:				
Building and system	7,348,298			7,348,298
Machinery and equipment	5,136,236	202,610	(86,960)	5,251,886
Improvements other than building	2,882,231	6,790		2,889,021
Infrastructure	141,784,775	4,601,090		146,385,865
Total Capital Assets Being Depreciated	<u>157,151,540</u>	<u>4,810,490</u>	<u>(86,960)</u>	<u>161,875,070</u>
Less Accumulated Depreciation For:				
Building and system	(909,703)	(176,998)		(1,086,701)
Machinery and equipment	(3,008,626)	(580,372)	47,415	(3,541,583)
Improvements other than building	(970,602)	(112,112)		(1,082,714)
Infrastructure	(59,205,977)	(3,848,025)		(63,054,002)
Total Accumulated Depreciation	<u>(64,094,908)</u>	<u>(4,717,507)</u>	<u>47,415</u>	<u>(68,765,000)</u>
Total Capital Assets Being Depreciated, Net	<u>93,056,632</u>	<u>92,983</u>	<u>(39,545)</u>	<u>93,110,070</u>
Governmental Activities Capital Assets, Net	<u>\$ 106,572,616</u>	<u>\$ 11,626,601</u>	<u>\$ (4,760,198)</u>	<u>\$ 113,439,019</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 3 – CAPITAL ASSETS, (Continued)*

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 55,222			\$ 55,222
Construction in progress		\$ 860,875	\$ (272,336)	588,539
Total Capital Assets Not Being Depreciated	<u>55,222</u>	<u>860,875</u>	<u>(272,336)</u>	<u>643,761</u>
Capital Assets Being Depreciated:				
Building and system	9,953,150	152,773		10,105,923
Machinery and equipment	2,626,854	171,167		2,798,021
Improvements other than building	3,117,942			3,117,942
Total Capital Assets Being Depreciated	<u>15,697,946</u>	<u>323,940</u>		<u>16,021,886</u>
Less Accumulated Depreciation For:				
Building and system	(1,713,355)	(136,929)		(1,850,284)
Machinery and equipment	(1,517,087)	(210,742)		(1,727,829)
Improvements other than building	(1,045,842)	(257,371)		(1,303,213)
Total Accumulated Depreciation	<u>(4,276,284)</u>	<u>(605,042)</u>		<u>(4,881,326)</u>
Total Capital Assets Being Depreciated, Net	<u>11,421,662</u>	<u>(281,102)</u>		<u>11,140,560</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,476,884</u>	<u>\$ 579,773</u>	<u>\$ (272,336)</u>	<u>\$ 11,784,321</u>

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

<b>Governmental Activities:</b>	
General government	\$ 302,462
Public safety	252,345
Public works	4,093,952
Community development	68,748
Total Depreciation Expense - Governmental Activities	<u>\$ 4,717,507</u>
<b>Business-Type Activities:</b>	
Water	\$ 443,493
Sewer	161,549
Total Depreciation Expense - Business-Type Activities	<u>\$ 605,042</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 4 – OTHER ASSETS*

Notes Receivable

Balance  
Outstanding at  
June 30, 2010

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

36,302

Total

\$ 2,336,302

Grant Programs

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, 2010 was \$1,158,957.

*NOTE 5 – RETIREMENT PLAN*

Plan description

The City of San Jacinto contributes to the California Public Employees Retirement System (PERS), a cost-sharing public employee defined benefit pension plan. PERS provides retirement and disability benefits, 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. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 5 – RETIREMENT PLAN, (Continued)*

Funding policy

Participants are required to contribute 7 percent of their annual covered payroll. The City makes this contribution on behalf of the employees. The City of San Jacinto is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contractually required employer contribution rate for fiscal year 2009-2010 was 16.813 percent for non-safety which was determined by an actual valuation of the plan as of June 30, 2007. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

Annual pension cost

For 2010, the City's annual pension cost of \$666,850 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 Ending</u>	<u>Annual Pension Cost (Employer Contribution) (in thousands)</u>	<u>Percentage of APC Contributed</u>
6/30/2008	\$707	100%
6/30/2009	\$833	100%
6/30/2010	\$667	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 the 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.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 5 – RETIREMENT PLAN, (Continued)*

New Risk Pool and Future Contributions, (Continued)

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, 2010, was 9 years for the Miscellaneous Plan.

*NOTE 6 – LONG-TERM DEBT*

The description of long-term debt outstanding as of June 30, 2010, 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, 2010 was \$24,131. In addition, \$286,838 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 are as follows:

Fiscal Year Ending June 30,	EMWD Loan
2011	\$ 1,270
2012	1,270
2013	1,270
2014	1,270
2015	1,270
2016-2020	6,350
2021-2025	6,350
2026-2029	5,081
Total	<u>\$ 24,131</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2010 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, 2010, 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, 2010, 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, 2010 was \$0 as the agency made final payment in the fiscal year 2009-2010.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2010 was \$8,655,000.

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	
	Principal	Interest
2011	\$ 210,000	\$ 371,483
2012	215,000	364,975
2013	220,000	357,765
2014	230,000	349,890
2015	235,000	341,635
2016-2020	1,325,000	1,563,568
2021-2025	1,630,000	1,245,375
2026-2030	2,035,000	830,185
2031-2035	2,555,000	304,565
Total	<u>\$ 8,655,000</u>	<u>\$ 5,729,441</u>

The Agency has pledged a portion of future tax increment revenues to repay the 2005 Tax Allocation Bonds. Tax increment revenues were projected to produce 100 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are \$14,384,441, payable through 2034. For the current year, principal and interest paid was \$582,709 for the 2005 Tax Allocation Bonds, and total increment tax revenues received by the Agency totaled \$5,310,218.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2007 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, 2010 is \$2,515,000.

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, 2010 is \$1,365,000. 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, 2010**

*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
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	90,000	52,785	275,000	77,413
2016-2020	545,000	187,935	1,270,000	144,650
2021-2024	400,000	41,565		
Total	<u>\$ 1,365,000</u>	<u>\$ 533,214</u>	<u>\$ 2,515,000</u>	<u>\$ 671,963</u>

The City has pledged Water Enterprise revenues to repay the 1997 \$4.5M Revenue Bonds and the 2002 \$2.7M Refunding Revenue Bonds. Total principal and interest remaining on the bonds are \$3,186,963 and \$1,898,214, payable through 2019 and 2023, respectively. For the current year, principal and interest paid was \$354,100 for the 1997 Bonds and \$239,673 for the 2002 Bonds, and total water enterprise revenues received by the City totaled \$3,010,580.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2010 is \$2,270,156 and is scheduled for repayment as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
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	213,752	108,508	322,260
2016-2021	1,344,471	266,829	1,611,300
Total	<u>\$ 2,270,156</u>	<u>\$ 952,444</u>	<u>\$ 3,222,600</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 \$457,000 and \$318,000, respectively, and with an accumulated depreciation to date of \$202,854 and \$121,254, respectively. Principal and interest payments are paid semi-annually on January 20<sup>th</sup> and July 20<sup>th</sup>. The annual interest rates applicable to the leases are 4.53 percent and 4.46 percent respectively. The combined outstanding balance at June 30, 2010 for both leases is \$477,717 and is scheduled for repayment as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
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	37,605	850	38,455
Total	<u>\$ 477,717</u>	<u>\$ 47,539</u>	<u>\$ 525,256</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 6 – LONG-TERM DEBT, (Continued)*

**G. Changes in Long-Term Liabilities**

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010	Due within one year
<u>Governmental</u>					
Bonds Payable:					
1999 Tax Allocation Bonds	\$ 230,200		\$ (230,200)		
2005 Tax Allocation Bonds	8,860,000		(205,000)	\$ 8,655,000	\$ 210,000
Less deferred loss on refunding	(25,566)		1,763	(23,803)	
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	25,401		(1,270)	24,131	1,270
Unfunded pension liability- inactive safety plan	2,417,328		(147,172)	2,270,156	158,578
Lease payable	600,608		(122,891)	477,717	128,476
Claims and judgment	319,665	\$ 49,473	(27,268)	341,870	
Compensated absences	182,667		(25,120)	157,547	
Governmental Activities Long-Term Liabilities	<u>\$ 14,243,794</u>	<u>\$ 49,473</u>	<u>\$ (757,158)</u>	<u>\$ 13,536,109</u>	<u>\$ 2,131,815</u>
<u>Business-Type Activities</u>					
Bonds Payable:					
1997 Revenue Bonds	\$ 2,725,000		\$ (210,000)	\$ 2,515,000	\$ 225,000
2002 Revenue Bonds	1,530,000		(165,000)	1,365,000	75,000
Business-Type Activities Long-Term Liabilities	<u>\$ 4,255,000</u>	<u>\$ -</u>	<u>\$ (375,000)</u>	<u>\$ 3,880,000</u>	<u>\$ 300,000</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2010 is \$4,640,000.
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, 2010 is \$162,063.
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, 2010 is \$17,841,416.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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, 2010 is \$20,079,817.

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, 2010 were as follows:

Payable Fund	Receivable Fund	
	General Fund	
TUMF Capital Projects Fund	\$ 4,580,217	
Non-Major Governmental Funds	1,044,350	
Redevelopment Debt Service Fund	72,000	
Total	<u>\$ 5,696,567</u>	

Amounts payable from the TUMF Capital Projects Fund and RDA Debt Service 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	Non-Major Governmental Funds	Enterprise-Water Fund	Enterprise-Sewer Fund	
RDA Debt Service	\$ 600,000				\$ 600,000
City Capital Projects Fund	2,445,207	\$ 7,730,911	\$ 655,306	\$ 398,638	11,230,062
Non-Major Governmental Funds	1,161,095	144,128			1,305,223
Total	<u>\$ 4,206,302</u>	<u>\$ 7,875,039</u>	<u>\$ 655,306</u>	<u>\$ 398,638</u>	<u>\$13,135,285</u>

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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

1. Advances between the City Capital projects Fund, the Enterprise Funds, 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, 2010 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, 2010 were \$865,566 and \$1,000 respectively.
4. The advances of \$294,529 from the City’s General Fund and \$144,128 from Non-Major Governmental Funds to Assessment District 87-1 were for debt service. The balance of \$438,657 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, 2010 were as follows:

Transfers-In	Transfers-Out								Totals
	General Fund	City Capital Projects Fund	TUMF Capital Projects Fund	RDA Debt Service Fund	Non-Major Governmental Funds	Enterprise-Water Fund	Enterprise-Sewer Fund	Internal Service Funds	
General Fund	\$ 14,258				\$ 345,009			\$ 32,021	\$ 391,288
City Capital Projects Fund	369,661		\$ 6,271,537		6,188,258				12,829,456
Non-Major Governmental Funds	64,574			\$ 700,000	500,000				1,264,574
Enterprise-Water Fund		\$ 119,562				\$588,540			708,102
Enterprise-Sewer Fund							\$ 157,914		157,914
Total	<u>\$ 448,493</u>	<u>\$ 119,562</u>	<u>\$ 6,271,537</u>	<u>\$ 700,000</u>	<u>\$ 7,033,267</u>	<u>\$588,540</u>	<u>\$ 157,914</u>	<u>\$ 32,021</u>	<u>\$ 15,351,334</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.
- Transfers from the Community Development Block Grants Fund to the Redevelopment Capital Projects funds represent transfers for unreimbursed expenditures.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 9 – DEFERRED REVENUE*

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

Assessment District 87-1	<u>\$ 1,633,491</u>	(a)
CDBG Fund	500,000	(b)
General Fund	103,485	(a; b)
RDA Special Revenue Fund	2,336,302	(c)
Flood Control Fund	162,834	(b)
Vandalism & Graffiti Reward Fund	17,918	(b)
CSA 152	<u>73,850</u>	(b)
	<u>3,194,389</u>	
	<u><u>\$ 4,827,880</u></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. Includes unearned balances of \$72,000 from the general fund.
- (b) These amounts are deferred at the fund level as they have not been collected within the City's period of availability.
- (c) 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, 2010, the amount of these liabilities was \$341,870.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*NOTE 10 – RISK MANAGEMENT, (Continued)*

The amount represents an estimate of \$255,293 for reported claims through June 30, 2010, and \$86,577 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>Change In Claim Payable</u>	<u>Liability at End of Year</u>
2008-2009	\$ 426,892	\$ (107,227)	\$ 319,665
2009-2010	319,665	22,205	341,870

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, 2010, 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 Department of Transportation, Federal Highway Administration issued a letter suspending four City Council members. In previous reports it was noted that these suspensions may impact the City’s ability to receive federal funds. (See subsequent event footnote #14).

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.

Construction Commitments

The City has entered into various commitments for construction and/or capital projects. As of June 30, 2010, the City had outstanding contracts commitments of \$2,445,490.

**CITY OF SAN JACINTO**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*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	Capital Projects		RDA	Non-major Funds	Total
		City Capital Projects	TUMF Capital Projects Fund	Debt Service Fund		
Fund Balance						
Reserved for:						
Land held for resale					\$ 874,200	\$ 874,200
Fund with deficit fund balances	\$ 3,833,678					3,833,678
Advances to other funds	4,206,302				7,875,039	12,081,341
Prepays	28,969					28,969
Total Reservations	8,068,949				8,749,239	16,818,188
Unreserved:						
Designated for:						
Capital projects	6,267,523					6,267,523
Contingency	5,140,147					5,140,147
Development services	1,452,675					1,452,675
Equipment replacement	2,155,547					2,155,547
Total designations	15,015,892					15,015,892
Undesignated			\$ (1,383,612)	\$ 4,521,097	14,453,852	17,591,337
Total Fund Balance	\$23,084,841	\$ -	\$ (1,383,612)	\$ 4,521,097	\$ 23,203,091	\$ 49,425,417

*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, 2010**

*NOTE 14 – COMMITMENTS/SUBSEQUENT EVENTS*

Federal Funding

In a special election held November 2, 2010 all four suspended City Council members were recalled and four new City Council members were sworn into office December 2, 2010. In the opinion of management, and the City's Attorney, the federal disbarment/suspension rules are personal to the Council members and not the City. Therefore, they do not affect the ability of the City to participate in federal programs going forward.

SERAF

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency made a payment of \$1,889,430 during fiscal year 2009-2010. The Agency's share of this revenue shift is approximately \$388,219 in fiscal year in 2010-2011. Payments are to be made by May 10 of each respective fiscal year and are being accounted for by the Agency in general government of the Redevelopment Capital Projects Fund.

Governor's Budget

The Governor released the 2011-2012 fiscal year budget on January 10, 2011. The proposed budget includes several provisions which could have a significant impact on local governments. One of the specific proposals is the elimination of Redevelopment Agencies. This is only one of the numerous provisions which could significantly impact the finances of local governments.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAN JACINTO**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,288,495	\$ 6,288,495	\$ 5,315,163	\$ (973,332)
Licenses and permits	501,605	501,605	457,908	(43,697)
Fines and forfeitures	185,000	185,000	431,089	246,089
Intergovernmental	3,590,000	4,420,966	3,618,698	(802,268)
Charges for services	440,100	440,100	467,771	27,671
Use of money and property	526,170	526,170	212,463	(313,707)
Other	3,013,397	3,017,430	2,633,272	(384,158)
Total Revenues	<u>14,544,767</u>	<u>15,379,766</u>	<u>13,136,364</u>	<u>(2,243,402)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,069,579	2,098,614	1,860,176	238,438
Public safety	9,222,526	9,322,692	8,591,624	731,068
Public works	1,024,929	1,024,929	592,560	432,369
Community development	1,995,961	1,995,961	1,659,530	336,431
Culture and leisure	1,065,757	1,066,257	464,812	601,445
Debt service:				
Principal	89,364	89,364	89,364	
Interest	16,795	16,795	16,795	
Capital outlay	2,500	17,331	11,366	5,965
Total Expenditures	<u>15,487,411</u>	<u>15,631,943</u>	<u>13,286,227</u>	<u>2,345,716</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(942,644)</u>	<u>(252,177)</u>	<u>(149,863)</u>	<u>102,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	492,139	492,139	391,288	(100,851)
Transfers out	(3,203,651)	(3,972,989)	(448,493)	3,524,496
Total Other Financing Sources (Uses)	<u>(2,711,512)</u>	<u>(3,480,850)</u>	<u>(57,205)</u>	<u>3,423,645</u>
Net Change in Fund Balance	<u>(3,654,156)</u>	<u>(3,733,027)</u>	<u>(207,068)</u>	<u>3,525,959</u>
Fund Balance, Beginning of Year	<u>23,291,909</u>	<u>23,291,909</u>	<u>23,291,909</u>	
Fund Balance, End of Year	<u>\$ 19,637,753</u>	<u>\$ 19,558,882</u>	<u>\$ 23,084,841</u>	<u>\$ 3,525,959</u>

## **SUPPLEMENTARY SCHEDULES**

## **NON-MAJOR GOVERNMENTAL FUNDS**

**CITY OF SAN JACINTO**

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

**JUNE 30, 2010**

	Special Revenue Funds				
	Gas Tax	Measure A	AB2928 Traffic Congestion	Traffic Safety	Redevelopment Special Revenue
<b>ASSETS</b>					
Cash and investments		\$ 265,383	\$ 79,347	\$ 173,476	\$ 772,365
Cash and investments with fiscal agent					1,035,378
Receivables:					
Accounts					
Interest					36,302
Property taxes					7,712
Due from other governments	\$ 19,066	110,842	92,492	21,701	
Notes receivable					2,300,000
Advances receivable		1,428,679	456,700	146,782	701,162
Land held for resale					166,000
Total Assets	<u>\$ 19,066</u>	<u>\$ 1,804,904</u>	<u>\$ 628,539</u>	<u>\$ 341,959</u>	<u>\$ 5,018,919</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable				\$ 3,967	\$ 3,670
Accrued payroll					1,790
Due to other funds					
Deferred revenue					2,336,302
Advances payable					
Total Liabilities				<u>3,967</u>	<u>2,341,762</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Land held for resale					166,000
Advances to other funds		\$ 1,428,679	\$ 456,700	146,782	701,162
Unreserved, reported in:					
Special revenue funds	\$ 19,066	376,225	171,839	191,210	1,809,995
Total Fund Balances	<u>19,066</u>	<u>1,804,904</u>	<u>628,539</u>	<u>337,992</u>	<u>2,677,157</u>
Total Liabilities and Fund Balances	<u>\$ 19,066</u>	<u>\$ 1,804,904</u>	<u>\$ 628,539</u>	<u>\$ 341,959</u>	<u>\$ 5,018,919</u>

Special Revenue Funds

Community Facilities District #2	CFD #2010-1 Administrative Fund	LLPD #1	LLPD #2	Park Development	Community Development Block Grant	Parkway Development
\$ 12,545		\$ 54,818	\$ 7,356,245	\$ 39,981		\$ 101,950
			8,748			
		14,011	296,957		\$ 500,000	
<u>\$ 12,545</u>	<u>\$ -</u>	<u>\$ 68,829</u>	<u>\$ 7,661,950</u>	<u>\$ 39,981</u>	<u>\$ 500,000</u>	<u>\$ 101,950</u>
		\$ 68,829	\$ 187,859			
	\$ 2,657		12,743		\$ 500,000 500,000	
	<u>2,657</u>	<u>68,829</u>	<u>200,602</u>		<u>1,000,000</u>	
\$ 12,545	(2,657)		7,461,348	\$ 39,981	(500,000)	\$ 101,950
<u>12,545</u>	<u>(2,657)</u>		<u>7,461,348</u>	<u>39,981</u>	<u>(500,000)</u>	<u>101,950</u>
<u>\$ 12,545</u>	<u>\$ -</u>	<u>\$ 68,829</u>	<u>\$ 7,661,950</u>	<u>\$ 39,981</u>	<u>\$ 500,000</u>	<u>\$ 101,950</u>

**CITY OF SAN JACINTO**

**NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)**

**JUNE 30, 2010**

	Special Revenue Funds				
	Community Facilities District 2003	CSA 152	Bus Shelter	Public Safety Sales Tax	Air Quality Improvement
<b>ASSETS</b>					
Cash and investments			\$ 4,851		\$ 126,814
Cash and investments with fiscal agent					
Receivables:					
Accounts					
Interest					
Property taxes	\$ 106,098				
Due from other governments		\$ 73,850		\$ 13,852	11,092
Notes receivable					
Advances receivable					
Land held for resale					
Total Assets	<u>\$ 106,098</u>	<u>\$ 73,850</u>	<u>\$ 4,851</u>	<u>\$ 13,852</u>	<u>\$ 137,906</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 677,107	\$ 1,374	\$ 36		
Accrued payroll		1,501	3,573		
Due to other funds		68,941		\$ 13,852	
Deferred revenue		73,850			
Advances payable	865,566				
Total Liabilities	<u>1,542,673</u>	<u>145,666</u>	<u>3,609</u>	<u>13,852</u>	
<b>FUND BALANCES:</b>					
Reserved for:					
Land held for resale					
Advances to other funds					
Unreserved, reported in:					
Special revenue funds	<u>(1,436,575)</u>	<u>(71,816)</u>	<u>1,242</u>		<u>\$ 137,906</u>
Total Fund Balances	<u>(1,436,575)</u>	<u>(71,816)</u>	<u>1,242</u>		<u>137,906</u>
Total Liabilities and Fund Balances	<u>\$ 106,098</u>	<u>\$ 73,850</u>	<u>\$ 4,851</u>	<u>\$ 13,852</u>	<u>\$ 137,906</u>

Special Revenue Funds

AB3229 COPS Program	Fire Mitigation	SB 621 Gaming Impact Grants	AB1600	Special District Administration	Code Enforcement	Asset Seizure
\$ 45,075	\$ 642,895		\$ 505,294	\$ 212,477		\$ 240
25,773						
55,674						
<u>\$ 70,848</u>	<u>\$ 642,895</u>	<u>\$ -</u>	<u>\$ 560,968</u>	<u>\$ 212,477</u>	<u>\$ -</u>	<u>\$ 240</u>
\$ 58,847						
\$ 409						
11,346						
\$ 361						
\$ 445,796						
<u>58,847</u>		<u>361</u>	<u>445,796</u>	<u>11,755</u>		
55,674						
12,001	\$ 642,895	(361)	59,498	200,722		\$ 240
12,001	642,895	(361)	115,172	200,722		240
<u>\$ 70,848</u>	<u>\$ 642,895</u>	<u>\$ -</u>	<u>\$ 560,968</u>	<u>\$ 212,477</u>	<u>\$ -</u>	<u>\$ 240</u>

**CITY OF SAN JACINTO**

**NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)**

**JUNE 30, 2010**

	Special Revenue Funds				
	Assessment	SB 821	DIF	Vandalism & Graffiti	Total
	District 2003-01			Reward	Special Revenue Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,175,444	\$ 16,805	\$ 1,790,046	\$ 13,764	\$ 13,389,815
Cash and investments with fiscal agent					1,035,378
Receivables:					
Accounts	56,294			18,773	83,815
Interest					36,302
Property taxes					424,778
Due from other governments					868,668
Notes receivable					2,300,000
Advances receivable			1,297,782		4,086,779
Land held for resale					166,000
Total Assets	<u>\$ 1,231,738</u>	<u>\$ 16,805</u>	<u>\$ 3,087,828</u>	<u>\$ 32,537</u>	<u>\$ 22,391,535</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 8,574				\$ 1,010,672
Accrued payroll					18,210
Due to other funds					1,044,350
Deferred revenue				\$ 17,918	2,928,070
Advances payable				1,000	866,566
Total Liabilities	<u>8,574</u>			<u>18,918</u>	<u>5,867,868</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Land held for resale					166,000
Advances to other funds			\$ 1,297,782		4,086,779
Unreserved, reported in:					
Special revenue funds	1,223,164	\$ 16,805	1,790,046	13,619	12,270,888
Total Fund Balances	<u>1,223,164</u>	<u>16,805</u>	<u>3,087,828</u>	<u>13,619</u>	<u>16,523,667</u>
Total Liabilities and Fund Balances	<u>\$ 1,231,738</u>	<u>\$ 16,805</u>	<u>\$ 3,087,828</u>	<u>\$ 32,537</u>	<u>\$ 22,391,535</u>

**CITY OF SAN JACINTO**

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

**JUNE 30, 2010**

	Capital Projects					Total Capital Projects Funds
	Underground Utility	Flood Control	Traffic Signalization	Highway 79 Capital Projects	Redevelopment Agency	
<b>ASSETS</b>						
Cash and investments	\$ 946,436	\$ 1,376,759	\$ 121,105		\$ 87,091	\$ 2,531,391
Cash and investments with fiscal agent					126,168	126,168
Receivables:						
Accounts						
Interest						
Property taxes						
Due from other governments		174,307				174,307
Notes receivable						
Advances receivable		2,127,084	286,319	\$ 1,054,698	320,159	3,788,260
Land held for resale					708,200	708,200
Total Assets	<u>\$ 946,436</u>	<u>\$ 3,678,150</u>	<u>\$ 407,424</u>	<u>\$ 1,054,698</u>	<u>\$ 1,241,618</u>	<u>\$ 7,328,326</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable					\$ 22,461	\$ 22,461
Accrued payroll					24,950	24,950
Due to other funds						
Deferred revenue		\$ 162,834				162,834
Advances payable						
Total Liabilities		<u>162,834</u>			<u>47,411</u>	<u>210,245</u>
<b>FUND BALANCES</b>						
Reserved for:						
Land held for resale					708,200	708,200
Advances to other funds		2,127,084	\$ 286,319	\$ 1,054,698	320,159	3,788,260
Unreserved, reported in:						
Special revenue funds						
Debt service funds						
Capital projects funds	\$ 946,436	1,388,232	121,105		165,848	2,621,621
Total Fund Balances	<u>946,436</u>	<u>3,515,316</u>	<u>407,424</u>	<u>1,054,698</u>	<u>1,194,207</u>	<u>7,118,081</u>
Total Liabilities and Fund Balances	<u>\$ 946,436</u>	<u>\$ 3,678,150</u>	<u>\$ 407,424</u>	<u>\$ 1,054,698</u>	<u>\$ 1,241,618</u>	<u>\$ 7,328,326</u>

Debt Service	Total
Assessment District 87-1 Debt Service	Non-Major Governmental Funds
	\$ 15,921,206
	1,161,546
	83,815
	36,302
\$ 1,633,491	2,058,269
	1,042,975
	2,300,000
	7,875,039
	874,200
\$ 1,633,491	\$ 31,353,352

	\$ 1,033,133
	43,160
	1,044,350
\$ 1,633,491	4,724,395
438,657	1,305,223
2,072,148	8,150,261

	874,200
	7,875,039
	12,270,888
(438,657)	(438,657)
	2,621,621
(438,657)	23,203,091
\$ 1,633,491	\$ 31,353,352

**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, 2010**

	Special Revenue Funds				
	Gas Tax	Measure A	AB2928 Traffic Congestion	Traffic Safety	Redevelopment Special Revenue
<b>REVENUES</b>					
Taxes and tax increment	\$ 587,966	\$ 444,744			\$ 1,062,044
Assessments					
Fines and forfeiture				\$ 140,379	
Development fees					
Intergovernmental			\$ 331,007	813	
Use of money and property		14,477	2,993	2,594	45,574
Other					
Total Revenues	<u>587,966</u>	<u>459,221</u>	<u>334,000</u>	<u>143,786</u>	<u>1,107,618</u>
<b>EXPENDITURES</b>					
Current:					
General government					
Public safety				46,926	
Public works	568,900	60,976		15,116	
Community development					372,173
Culture and leisure					
Debt service:					
Principal					141,573
Interest					260,846
Capital outlay				995	
Total Expenditures	<u>568,900</u>	<u>60,976</u>		<u>63,037</u>	<u>774,592</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>19,066</u>	<u>398,245</u>	<u>334,000</u>	<u>80,749</u>	<u>333,026</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out		(504,409)	(10,645)	(95,610)	(646,600)
Total Other Financing Sources (Uses)		<u>(504,409)</u>	<u>(10,645)</u>	<u>(95,610)</u>	<u>(646,600)</u>
Net Change in Fund Balances	19,066	(106,164)	323,355	(14,861)	(313,574)
Fund Balances at Beginning of Year		1,911,068	305,184	352,853	2,990,731
Fund Balances at End of Year	<u>\$ 19,066</u>	<u>\$ 1,804,904</u>	<u>\$ 628,539</u>	<u>\$ 337,992</u>	<u>\$ 2,677,157</u>

Special Revenue Funds

Community Facilities District #2	CFD #2010-1 Administrative Fund	LLPD #1	LLPD #2	Park Development	Community Development Block Grant	Parkway Development
		\$ 661,563	\$ 3,117,601			
			10,044			
\$ 105		4,707	54,936	\$ 332		\$ 849
105		666,270	3,184,935	332		849
	\$ 2,657		2,321,919			
		666,270				
	2,657	666,270	2,321,919			
105	(2,657)		863,016	332		849
			19,233		\$ (500,000)	
			19,233		(500,000)	
105	(2,657)		882,249	332	(500,000)	849
12,440			6,579,099	39,649		101,101
\$ 12,545	\$ (2,657)	\$ -	\$ 7,461,348	\$ 39,981	\$ (500,000)	\$ 101,950

**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, 2010**

	Special Revenue Funds				
	Community Facilities District 2003	CSA 152	Bus Shelter	Public Safety Sales Tax	Air Quality Improvement
<b>REVENUES</b>					
Taxes and tax increment				\$ 179,828	
Assessments	\$ 1,759,885				
Fines and forfeiture					
Development fees					
Intergovernmental					\$ 52,454
Use of money and property			\$ 31	23	898
Other	124		72,400		16,000
<b>Total Revenues</b>	<b>1,760,009</b>		<b>72,431</b>	<b>179,851</b>	<b>69,352</b>
<b>EXPENDITURES</b>					
Current:					
General government					
Public safety	2,412,295				
Public works		\$ 65,521			
Community development	26,676		86,762		
Culture and leisure					
Debt service:					
Principal		33,525			
Interest		8,886			
Capital outlay					
<b>Total Expenditures</b>	<b>2,438,971</b>	<b>107,932</b>	<b>86,762</b>		
Excess (Deficiency) of Revenue Over (Under) Expenditures	(678,962)	(107,932)	(14,331)	179,851	69,352
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		36,116	4,647		
Transfers out				(179,851)	
<b>Total Other Financing Sources (Uses)</b>		<b>36,116</b>	<b>4,647</b>	<b>(179,851)</b>	
<b>Net Change in Fund Balances</b>	<b>(678,962)</b>	<b>(71,816)</b>	<b>(9,684)</b>		<b>69,352</b>
Fund Balances at Beginning of Year	(757,613)		10,926		68,554
Fund Balances at End of Year	\$ (1,436,575)	\$ (71,816)	\$ 1,242	\$ -	\$ 137,906

Special Revenue Funds

AB3229 COPS Program	Fire Mitigation	SB 621 Gaming Impact Grants	AB1600	Special District Administration	Code Enforcement	Asset Seizure
						\$ 3,993
	\$ 29,718		\$ 24,851			
\$ 100,000		\$ 444,682	1,009,651			
1,000	5,215	1,358	5,491	\$ 2,117		
				310,723		
101,000	34,933	446,040	1,039,993	312,840		3,993
4,486		1,293				2,513
				298,076		
164,496						
168,982		1,293		298,076		2,513
(67,982)	34,933	444,747	1,039,993	14,764		1,480
		(523,344)	(1,732,688)	(65,061)	\$ (100,099)	
		(523,344)	(1,732,688)	(65,061)	(100,099)	
(67,982)	34,933	(78,597)	(692,695)	(50,297)	(100,099)	1,480
79,983	607,962	78,236	807,867	251,019	100,099	(1,240)
\$ 12,001	\$ 642,895	\$ (361)	\$ 115,172	\$ 200,722	\$ -	\$ 240

**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, 2010**

	Special Revenue Funds				
	Assessment District 2003-01	SB 821	DIF	Vandalism & Graffiti Reward	Total Special Revenue Funds
	REVENUES				
Taxes and tax increment					\$ 2,274,582
Assessments	\$ 483,800				6,022,849
Fines and forfeiture					144,372
Development fees			\$ 95,275		159,888
Intergovernmental		\$ 16,713			1,955,320
Use of money and property	7,971	92	27,557	\$ 100	173,713
Other				9,364	415,672
<b>Total Revenues</b>	<b>491,771</b>	<b>16,805</b>	<b>122,832</b>	<b>9,464</b>	<b>11,146,396</b>
EXPENDITURES					
Current:					
General government				3,868	3,868
Public safety					2,467,513
Public works	75,151				785,664
Community development			13,250		3,121,513
Culture and leisure					666,270
Debt service:					
Principal					175,098
Interest					269,732
Capital outlay					165,491
<b>Total Expenditures</b>	<b>75,151</b>		<b>13,250</b>	<b>3,868</b>	<b>7,655,149</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	416,620	16,805	109,582	5,596	3,491,247
OTHER FINANCING SOURCES (USES)					
Transfers in		4,578			64,574
Transfers out			(384,877)		(4,743,184)
<b>Total Other Financing Sources (Uses)</b>		<b>4,578</b>	<b>(384,877)</b>		<b>(4,678,610)</b>
<b>Net Change in Fund Balances</b>	<b>416,620</b>	<b>21,383</b>	<b>(275,295)</b>	<b>5,596</b>	<b>(1,187,363)</b>
Fund Balances at Beginning of Year	806,544	(4,578)	3,363,123	8,023	17,711,030
<b>Fund Balances at End of Year</b>	<b>\$ 1,223,164</b>	<b>\$ 16,805</b>	<b>\$ 3,087,828</b>	<b>\$ 13,619</b>	<b>\$ 16,523,667</b>

**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, 2010**

	Capital Projects			
	Underground Utility	Flood Control	Traffic Signalization	Highway 79 Capital Projects
<b>REVENUES</b>				
Taxes and tax increment				
Assessments				
Fines and forfeiture				
Development fees		\$ 7,308	\$ 6,695	
Intergovernmental		269,119		
Use money and property	\$ 8,231	29,147	3,354	\$ 12,113
Other			688	
<b>Total Revenues</b>	<b>8,231</b>	<b>305,574</b>	<b>10,737</b>	<b>12,113</b>
<b>EXPENDITURES</b>				
Current:				
General government				
Public safety				
Public works				
Community development				
Culture and leisure				
Debt service:				
Principal				
Interest				
Capital outlay				
<b>Total Expenditures</b>				
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	8,231	305,574	10,737	12,113
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out		(299,804)	(190)	(645,869)
<b>Total Other Financing Sources (Uses)</b>		<b>(299,804)</b>	<b>(190)</b>	<b>(645,869)</b>
<b>Net Change in Fund Balances</b>	<b>8,231</b>	<b>5,770</b>	<b>10,547</b>	<b>(633,756)</b>
Fund Balances at Beginning of Year	938,205	3,509,546	396,877	1,688,454
Fund Balances at End of Year	\$ 946,436	\$ 3,515,316	\$ 407,424	\$ 1,054,698

<u>Capital Projects</u>			
Redevelopment Agency	Total Capital Projects Funds	Assessment District 87-1 Debt Service	Total Non-Major Governmental Funds
			\$ 2,274,582
			6,022,849
			144,372
	\$ 14,003		173,891
	269,119		2,224,439
\$ 911	53,756		227,469
11,000	11,688		427,360
<u>11,911</u>	<u>348,566</u>		<u>11,494,962</u>
		\$ 1,500	5,368
			2,467,513
			785,664
993,035	993,035		4,114,548
			666,270
			175,098
			269,732
			165,491
<u>993,035</u>	<u>993,035</u>	<u>1,500</u>	<u>8,649,684</u>
<u>(981,124)</u>	<u>(644,469)</u>	<u>(1,500)</u>	<u>2,845,278</u>
1,200,000	1,200,000		1,264,574
(1,344,220)	(2,290,083)		(7,033,267)
(144,220)	(1,090,083)		(5,768,693)
(1,125,344)	(1,734,552)	(1,500)	(2,923,415)
2,319,551	8,852,633	(437,157)	26,126,506
<u>\$ 1,194,207</u>	<u>\$ 7,118,081</u>	<u>\$ (438,657)</u>	<u>\$ 23,203,091</u>