

**CITY OF SAN JACINTO,
CALIFORNIA**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2011**

**Prepared by:
Finance Department**

CITY OF SAN JACINTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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CITY OF SAN JACINTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011, 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 described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

As described in Notes 15 and 17 to the financial statements, the California State Legislature enacted two different Assembly Bills (AB); the first AB X1 26, provided for the dissolution of redevelopment agencies, and the second, AB X1 27, provided a mechanism for the continuance of redevelopment agencies. On December 29, 2011, the California Supreme Court upheld AB X1 26, which dissolves redevelopment agencies, as constitutional and determined that AB X1 27 was unconstitutional. The California Supreme Court identified the date of dissolution for redevelopment agencies as February 1, 2012. Accordingly, as of February 1, 2012, the San Jacinto Redevelopment Agency is dissolved; the financial statements do not include any adjustments that might result from any uncertainties or the dissolution of the Agency.

As described in Note 1B to the financial statements, the City maintains negative fund balances in four governmental funds. The City plans to eliminate deficit fund balances through payments from the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2012, 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's 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.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California
March 9, 2012

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

This is management's discussion and analysis of the financial performance of the City of San Jacinto for the fiscal year ended June 30, 2011. Please read this in conjunction with the City's financial statements, which follow this discussion.

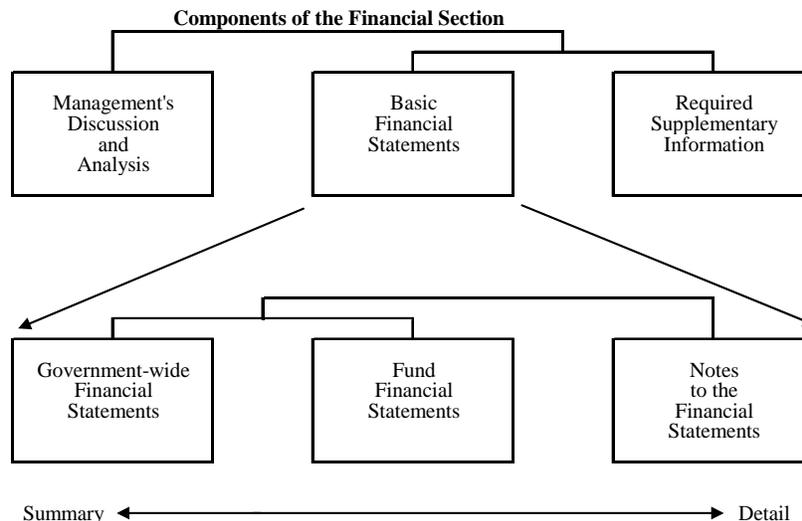
FINANCIAL HIGHLIGHTS

- On the government-wide basis, the City's total net assets decreased over the course of the fiscal year by \$1,156,587 to \$163,876,117. The net assets of governmental activities decreased by \$1,594,195, or 1 percent, and the net assets of business-type activities increased by \$437,608, or 4 percent.
- The general fund, on the fund financial statements basis, reported a deficiency of revenue under expenditures and other financing sources and uses of \$576,544. 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, 2011

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, 2011

- *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, 2011 and 2010
 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2010	2011	2010	2011	2010	2011	
Cash and investments	\$ 53,743	\$ 53,476	\$ 1,748	\$ 2,098	\$ 55,491	\$ 55,574	0.1%
Current and other assets	10,275	7,257	2,353	2,272	12,628	9,529	(24.5)%
Capital assets, net	113,439	113,260	11,784	11,611	125,223	124,871	(0.3)%
Total assets	177,457	173,993	15,885	15,981	193,342	189,974	(1.7)%
Long-term liabilities	11,415	12,530	3,580	3,265	14,955	15,795	5.3%
Other liabilities	12,418	9,434	896	869	13,314	10,303	(22.6)%
Total liabilities	23,833	21,964	4,476	4,134	28,309	26,098	(7.8)%
Net assets:							
Invested in capital assets, net of related debt	112,961	112,911	7,904	8,030	120,865	120,941	0.1%
Restricted	26,328	18,585			26,328	18,585	(29.4)%
Unrestricted	14,335	20,533	3,505	3,817	17,840	24,350	36.5%
Total net assets	\$153,624	\$152,029	\$ 11,409	\$ 11,847	\$165,033	\$163,876	(0.7)%

Net assets represent the difference between the City’s resources and its obligations. At June 30, 2011, the largest portion of the City’s total net assets, approximately 74 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 4 percent to \$11,846,726, 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, 2011

City of San Jacinto
Government-wide Financial Statements - Changes in Net Assets
 For the fiscal year ended June 30, 2011 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>		
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>Change</u>
Revenues							
Program revenues:							
Charges for services	\$ 4,369	\$ 4,054	\$ 6,352	\$ 6,320	\$10,721	10,374	(3.2)%
Operating grants and contributions	5,033	4,428			5,033	4,428	(12.0)%
Capital grants and contributions	10,990	6,997			10,990	6,997	(36.3)%
General revenues:							
Property taxes	1,868	1,582			1,868	1,582	(15.3)%
Transient occupancy taxes	19	18			19	18	(5.3)%
Redevelopment tax increment	5,310	4,816			5,310	4,816	(9.3)%
Franchise taxes	1,375	1,425			1,375	1,425	3.6%
Sales taxes	2,053	2,108			2,053	2,108	2.7%
Motor vehicle in lieu taxes	2,888	2,688			2,888	2,688	(6.9)%
Other taxes	153	156			153	156	2.0 %
Other	584	760	287	205	871	965	10.8%
Total revenues	<u>34,642</u>	<u>29,032</u>	<u>6,639</u>	<u>6,525</u>	<u>41,281</u>	<u>35,557</u>	(13.9)%
Expenses							
Governmental activities:							
General government	2,577	2,600			2,577	2,600	0.9%
Public safety	11,171	11,935			11,171	11,935	6.8%
Public works	5,792	5,669			5,792	5,669	(2.1)%
Community development	10,548	8,886			10,548	8,886	(15.8)%
Culture and leisure	1,131	1,089			1,131	1,089	(3.7)%
Interest on long-term debt	488	447			488	447	(8.4)%
Business-type activities:							
Water			2,335	2,793	2,335	2,793	19.6%
Solid waste			2,625	2,676	2,625	2,676	1.9%
Sewer			636	618	636	618	(2.8)%
Total expenses	<u>31,707</u>	<u>30,626</u>	<u>5,596</u>	<u>6,087</u>	<u>37,303</u>	<u>36,713</u>	(1.6)%
Increase (decrease) in net assets	<u>\$ 2,935</u>	<u>\$ (1,594)</u>	<u>\$1,043</u>	<u>\$ 438</u>	<u>\$3,978</u>	<u>\$(1,156)</u>	(129.1)%

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

Revenue

The City’s total revenue was \$35,556,986 for the year ended June 30, 2011. Revenue from governmental activities totaled \$29,031,645 and revenue from business-type activities totaled \$6,525,341. During 2011, capital contributions and grants, restricted to the construction of capital assets, comprised 20 percent of the total revenue of the City, taxes and other general revenues provided 39 percent of the total revenue of the City, and charges for services and operating contributions and grants provided 41 percent of the total revenue of the City.

The majority of the decreases in certain revenues from 2010 to 2011 can be attributed to the economic slow-down and a decrease in capital project related reimbursements.

Expenses

The City’s expenses totaled \$36,713,573 for the year. Governmental activity expenses totaled \$30,625,840, or 83 percent of total expenses. Business-type activities incurred \$6,087,733 of expenses during the year, or 17 percent of total expenses.

The majority of the decrease in most expenses relates to decreased spending attributed to the economic slowdown. The significant decrease in community development expenses relates to the \$1.5 million difference in SERAF payments from last year to this year, 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, 2010 and 2011
 (in thousands)

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	<u>2010</u>	<u>2011</u>		<u>2010</u>	<u>2011</u>	
General government	\$ 2,577	\$ 2,600	0.9%	\$ 446	\$ 253	(43.3)%
Public safety	11,171	11,935	6.8%	7,577	8,989	18.6%
Public works	5,792	5,669	(2.1)%	(2,790)	1,270	(145.5)%
Community development	10,548	8,886	(15.8)%	4,482	3,106	(30.7)%
Culture and leisure	1,131	1,089	(3.7)%	1,112	1,083	(2.6)%
Total	<u>\$ 31,219</u>	<u>\$ 30,179</u>	(3.3)%	<u>\$10,827</u>	<u>\$14,701</u>	35.8%

The cost for all governmental activities this year was \$30,179,507. The City’s taxpayers paid for approximately 43 percent of these costs. Fees, grants and contributions funded the balance of the costs of governmental activities.

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

Business-type Activities

Charges for services of the City's business-type activities totaled \$6,320,082. Expenses of business-type activities were \$6,087,733. 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, 2011 of \$47,445,000, a decrease of \$1,980,417 from the previous fiscal year. Within the change of combined fund balances, the General Fund decreased by \$576,544, related to the economic downturn.

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

City of San Jacinto
Fund Financial Statements - Fund Balances
 As of June 30, 2011 and 2010
 (in thousands)

	<u>2010</u>	<u>2011</u>	<u>Percent Change</u>
Nonspendable:			
Advances receivable	\$ 7,995	\$ 6,372	-20.3%
Prepays	30	32	6.7%
Land held for resale	708	708	0.0%
Total nonspendable fund balances	<u>8,733</u>	<u>7,112</u>	-18.6%
Restricted:			
Cash and investments with fiscal agent	128	126	-1.6%
Land held for resale	166	293	76.5%
Advances receivable	4,086	2,333	-42.9%
Special revenue funds	14,280	15,977	11.9%
Total restricted fund balances	<u>18,660</u>	<u>18,729</u>	0.4%
Assigned:			
Debt service funds	4,521	4,144	-8.3%
Capital project funds	2,495	3,422	37.2%
Total assigned fund balances	<u>7,016</u>	<u>7,566</u>	7.8%
Unassigned:			
General Fund	18,850	17,750	(5.8)%
Debt service funds	(439)	(440)	0.2%
Special revenue funds	(2,011)	(2,250)	11.9%
Capital project funds	(1,384)	(1,022)	(26.2)%
Total unassigned fund balances	<u>15,016</u>	<u>14,038</u>	(6.5)%
Total fund balance	<u>\$ 49,425</u>	<u>\$ 47,445</u>	(4.0)%

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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 2010 were re-appropriated in 2011 as part of the City’s capital budget.

After taking into account these adjustments, actual expenditures were \$1,914,513 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 \$1,027,271 below the final budgeted amount. The following significant revenue sources were different than anticipated:

- Intergovernmental receipts (reimbursements) that were tied directly to budgeted capital expenditures (but not spent) were significantly lower.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the City had invested \$124,870,537 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, 2011 and 2010
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Capital assets not being depreciated:						
Land and improvements	\$ 3,446	\$ 3,446	\$ 55	\$ 55	\$ 3,501	\$ 3,501
Construction in progress	16,883	10,580	589	972	17,472	11,552
Depreciable capital assets, net of accumulated depreciation:						
Buildings and system	6,262	6,084	8,255	4,792	14,517	10,876
Machinery and equipment	1,710	1,346	1,070	909	2,780	2,255
Improvements other than buildings	1,806	1,762	1,815	4,882	3,621	6,644
Infrastructure	83,332	90,042			83,332	90,042
Total	<u>\$ 113,439</u>	<u>\$ 113,260</u>	<u>\$ 11,784</u>	<u>\$ 11,610</u>	<u>\$ 125,223</u>	<u>\$ 124,870</u>

CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

This year’s major capital asset additions included:

Government-wide, governmental activities:

- Six road rehabilitation, improvement and widening projects (including traffic signalization) completed at a final cost of \$10,706,148.

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

Long-term Debt

At June 30, 2011, the City had \$16,631,677 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, 2011 and 2010
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenue and other bonds, net	\$ 8,631	\$ 8,423	\$ 3,880	\$ 3,580	\$12,511	\$12,003
Special assessment debt with government commitment, including unpaid interest	1,633	1,633			1,633	1,633
Loans payable	24	23			24	23
Capital leases	478	349			478	349
Unfunded pension liability	2,270	2,112			2,270	2,112
Claims and judgments	342	350			342	350
Compensated absences	158	162			158	162
Total	<u>\$ 13,536</u>	<u>\$ 13,052</u>	<u>\$ 3,880</u>	<u>\$ 3,580</u>	<u>\$17,416</u>	<u>\$16,632</u>

CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

The following are the ratings at the date of bond issuance as determined by Moody's Investors Service, Standard and Poors and Fitch rating agencies.

	<u>Moody's</u>	<u>S & P</u>	<u>Fitch</u>
Insured Issues:			
1997 Water Revenue Bonds	AAA	AAA	Not rated
2002 Water Refunding Revenue Bonds	Not rated	AAA	AAA
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 several years ago. 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.

The General Fund budget for 2011-2012 appropriates \$15,747,397, a decrease of 7 percent below the prior year.

City utility rates for water were last increased by 5% in July 2009, sewer rates were increased 3% in July 2011, and solid waste rates (dictated by our contractor) increased 1% in July 2010.

As more fully described in Note 17, new legislation was passed by the State of California, and affirmed by the California Supreme Court, that eliminated redevelopment agencies.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SAN JACINTO

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and investments	\$ 52,313,905	\$ 1,863,190	\$ 54,177,095
Cash and investments with fiscal agent	1,161,586	235,008	1,396,594
Receivables:			
Accounts, net	1,144,899	1,034,552	2,179,451
Interest	85,235		85,235
Taxes	1,971,029		1,971,029
Notes receivable	2,346,546		2,346,546
Due from other governments	879,062		879,062
Deposits with others	421,697		421,697
Prepays	31,523		31,523
Internal balances	(989,443)	989,443	-
Inventories		43,061	43,061
Land held for resale	1,001,059		1,001,059
Deferred charges	365,777	205,119	570,896
Capital assets:			
Land and construction in progress	14,025,945	1,027,472	15,053,417
Other capital assets, net of depreciation	99,234,233	10,582,887	109,817,120
Total Assets	<u>173,993,053</u>	<u>15,980,732</u>	<u>189,973,785</u>
LIABILITIES			
Accounts payable and accrued liabilities	5,718,388	257,717	5,976,105
Accrued wages	116,036	47,469	163,505
Accrued interest payable	160,472	51,676	212,148
Due to other governments	1,156,006		1,156,006
Retentions payable	127,593		127,593
Unearned revenues	1,633,491		1,633,491
Deposits payable		197,144	197,144
Noncurrent liabilities:			
Due within one year	521,453	315,000	836,453
Due in more than one year	12,530,224	3,265,000	15,795,224
Total Liabilities	<u>21,963,663</u>	<u>4,134,006</u>	<u>26,097,669</u>
NET ASSETS			
Invested in capital assets, net of related debt	112,910,937	8,030,359	120,941,296
Restricted for:			
Public safety	1,071,183		1,071,183
Community development	17,513,571		17,513,571
Unrestricted	20,533,699	3,816,367	24,350,066
Total Net Assets	<u>\$ 152,029,390</u>	<u>\$ 11,846,726</u>	<u>\$ 163,876,116</u>

See accompanying notes to financial statements.

CITY OF SAN JACINTO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government				
Governmental Activities:				
General government	\$ 2,600,173		\$ 2,347,524	
Public safety	11,935,278	\$ 2,453,503	482,839	\$ 9,461
Public works	5,669,212	73,229	933,202	3,392,962
Community development	8,886,242	1,527,079	664,587	3,588,923
Culture and leisure	1,088,602			5,850
Interest on long-term debt	446,333			
Total Governmental Activities	30,625,840	4,053,811	4,428,152	6,997,196
Business-Type Activities:				
Water	2,792,800	2,937,307		
Solid waste	2,676,513	2,586,368		
Sewer	618,420	796,407		
Total Business-Type Activities	6,087,733	6,320,082		
Total	\$ 36,713,573	\$ 10,373,893	\$ 4,428,152	\$ 6,997,196

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

Total General Revenues

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		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (252,649)		\$ (252,649)
(8,989,475)		(8,989,475)
(1,269,819)		(1,269,819)
(3,105,653)		(3,105,653)
(1,082,752)		(1,082,752)
(446,333)		(446,333)
<u>(15,146,681)</u>		<u>(15,146,681)</u>
	\$ 144,507	144,507
	(90,145)	(90,145)
	177,987	177,987
	<u>232,349</u>	<u>232,349</u>
<u>(15,146,681)</u>	<u>232,349</u>	<u>(14,914,332)</u>
1,581,460		1,581,460
4,815,578		4,815,578
18,106		18,106
1,424,625		1,424,625
2,108,410		2,108,410
2,688,218		2,688,218
156,050		156,050
331,554	25,195	356,749
428,485	180,064	608,549
<u>13,552,486</u>	<u>205,259</u>	<u>13,757,745</u>
(1,594,195)	437,608	(1,156,587)
<u>153,623,585</u>	<u>11,409,118</u>	<u>165,032,703</u>
<u>\$ 152,029,390</u>	<u>\$ 11,846,726</u>	<u>\$ 163,876,116</u>

FUND FINANCIAL STATEMENTS

CITY OF SAN JACINTO

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

	General	Capital Projects	Special Revenue	
		City Capital Projects	Redevelopment Special Revenue	LLPD #2
ASSETS				
Cash and investments	\$ 19,404,696	\$ 8,346,047	\$ 622,012	\$ 8,063,430
Cash and investments with fiscal agent			1,035,412	
Receivables:				
Accounts	255,374			
Interest	25,614		59,621	
Taxes	56,562		38	168,670
Prepays	30,263	1,260		
Due from other governments	467,427			
Due from other funds	1,859,332			
Notes receivable			2,300,000	
Advances receivable	4,066,475			
Land held for resale	661,252		292,859	
Total Assets	\$ 26,826,995	\$ 8,347,307	\$ 4,309,942	\$ 8,232,100
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,109,221	\$ 304,063	\$ 76	\$ 100,566
Accrued payroll	95,530		3,396	
Retentions payable		127,593		
Due to other funds			105,578	8,734
Due to other governments				
Deferred revenue	113,947		2,359,621	
Advances payable		7,915,651		
Total Liabilities	4,318,698	8,347,307	2,468,671	109,300
Fund Balances:				
Nonspendable	4,757,990	1,260		
Restricted			1,841,271	8,122,800
Assigned				
Unassigned	17,750,307	(1,260)		
Total Fund Balances	22,508,297	-	1,841,271	8,122,800
Total Liabilities and Fund Balances	\$ 26,826,995	\$ 8,347,307	\$ 4,309,942	\$ 8,232,100

See accompanying notes to financial statements.

Debt Service		
<u>Redevelopment Debt Service</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,185,158	\$ 10,112,823	\$ 51,734,166
2	126,172	1,161,586
	811,644	1,067,018
		85,235
128	1,745,631	1,971,029
		31,523
	411,635	879,062
114,227		1,973,559
	46,546	2,346,546
	4,639,244	8,705,719
	46,948	1,001,059
<u>\$ 5,299,515</u>	<u>\$ 17,940,643</u>	<u>\$ 70,956,502</u>
	\$ 1,193,875	\$ 5,707,801
	17,110	116,036
		127,593
	1,859,247	1,973,559
\$ 1,156,006		1,156,006
	2,261,777	4,735,345
	1,779,511	9,695,162
<u>1,156,006</u>	<u>7,111,520</u>	<u>23,511,502</u>
	2,352,814	7,112,064
2	8,765,276	18,729,349
4,143,507	3,422,272	7,565,779
	(3,711,239)	14,037,808
<u>4,143,509</u>	<u>10,829,123</u>	<u>47,445,000</u>
<u>\$ 5,299,515</u>	<u>\$ 17,940,643</u>	<u>\$ 70,956,502</u>

CITY OF SAN JACINTO

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

JUNE 30, 2011

Fund Balances of Governmental Funds	\$ 47,445,000
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's.	
Capital assets not being depreciated	14,025,945
Capital assets being depreciated	172,668,738
Accumulated depreciation	(73,434,505)
Deferred charges in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.	
Deferred charges	365,777
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	(161,898)
Tax allocation bonds	(8,445,000)
Special assessment debt and unmatured interest	(1,633,491)
Unfunded Pension liability	(2,111,578)
Loans payable	(22,861)
Capital leases	(349,241)
Deferred amounts on refunding	22,040
Accrued interest payable	(160,472)
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	2,346,546
Accrued interest on low and moderate housing loans	59,621
Due from other governments	695,687
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	719,082
Net Assets of Governmental Activities	<u>\$ 152,029,390</u>

See accompanying notes to financial statements.

CITY OF SAN JACINTO

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

YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Special Revenue	
		City Capital Projects	Redevelopment Special Revenue	LLPD #2
REVENUES				
Taxes and tax increment	\$ 5,132,601		\$ 963,093	
Assessments				\$ 3,013,660
Licenses and permits	360,329			
Fines and forfeitures	393,122			
Development fees				10,957
Intergovernmental	3,022,669			
Charges for services	273,215			
Use of money and property	334,137		6,843	66,265
Other	2,752,357			7,707
Total Revenues	12,268,430		969,936	3,098,589
EXPENDITURES				
Current:				
General government	1,946,651			
Public safety	9,054,689			
Public works	183,050			
Community development	1,489,781		287,238	2,239,740
Culture and leisure	418,078			
Intergovernmental				
Pass through payments				
ERAF payment				
Debt service:				
Principal	93,414		145,026	
Interest	12,747		256,547	
Capital outlay	18,591	\$ 5,602,647		212,319
Total Expenditures	13,217,001	5,602,647	688,811	2,452,059
Excess (Deficiency) of Revenues Over (Under) Expenditures	(948,571)	(5,602,647)	281,125	646,530
OTHER FINANCING SOURCES (USES)				
Transfers in	732,949	5,602,647		14,922
Transfers out	(360,922)		(1,117,011)	
Total Other Financing Sources (Uses)	372,027	5,602,647	(1,117,011)	14,922
Net Change in Fund Balances	(576,544)		(835,886)	661,452
Fund Balances at Beginning of Year	23,084,841		2,677,157	7,461,348
Fund Balances at End of Year	\$ 22,508,297	\$ -	\$ 1,841,271	\$ 8,122,800

See accompanying notes to financial statements.

<u>Debt Service</u>		
<u>Redevelopment Debt Service</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,852,484	\$ 1,645,587	\$ 11,593,765
	2,859,744	5,873,404
		360,329
	121,634	514,756
	207,207	218,164
	3,491,714	6,514,383
		273,215
45,527	135,671	588,443
	355,657	3,115,721
<u>3,898,011</u>	<u>8,817,214</u>	<u>29,052,180</u>
492,861	1,550	2,441,062
	2,636,640	11,691,329
	1,048,009	1,231,059
	1,385,056	5,401,815
	670,524	1,088,602
1,684,761		1,684,761
388,588		388,588
66,244	35,062	339,746
143,145	24,717	437,156
	540,049	6,373,606
<u>2,775,599</u>	<u>6,341,607</u>	<u>31,077,724</u>
<u>1,122,412</u>	<u>2,475,607</u>	<u>(2,025,544)</u>
	1,564,859	7,915,377
(1,500,000)	(4,892,317)	(7,870,250)
<u>(1,500,000)</u>	<u>(3,327,458)</u>	<u>45,127</u>
(377,588)	(851,851)	(1,980,417)
4,521,097	11,680,974	49,425,417
<u>\$ 4,143,509</u>	<u>\$ 10,829,123</u>	<u>\$ 47,445,000</u>

CITY OF SAN JACINTO

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

YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (1,980,417)
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	4,490,664
Depreciation expense, net	(4,669,505)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	
Loans receivable	23,319
Intergovernmental receivables	(43,854)
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.	
Repayments:	
Bonds	210,000
Loans	1,270
Unfunded pension liability	158,578
Capital leases	128,476
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	(4,351)
Amortization of deferred amounts on refunding	(1,763)
Amortization of deferred costs of issuance	(12,604)
Accrued interest on bonds	5,190
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.	100,802
Change in Net Assets of Governmental Activities	<u>\$ (1,594,195)</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, 2011

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Solid Waste	Sewer	Total	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 821,407	\$ 96,163	\$ 945,620	\$ 1,863,190	\$ 579,739
Cash investments with fiscal agents	235,008			235,008	
Receivables, net:					
Accounts	536,503	376,333	121,716	1,034,552	77,881
Deposits with others					421,697
Inventories	43,061			43,061	
Total Current Assets	<u>1,635,979</u>	<u>472,496</u>	<u>1,067,336</u>	<u>3,175,811</u>	<u>1,079,317</u>
Non-Current Assets:					
Deferred charges	205,119			205,119	
Advances receivable	699,136		540,307	1,239,443	
Capital assets:					
Land	55,222			55,222	
Construction in progress	916,271		55,979	972,250	
Buildings and system	6,747,489		31,301	6,778,790	
Machinery and equipment	2,361,802		435,862	2,797,664	
Improvements other than buildings	3,117,942		3,327,133	6,445,075	
Less accumulated depreciation	(4,422,942)		(1,015,700)	(5,438,642)	
Total Non-Current Assets	<u>9,680,039</u>		<u>3,374,882</u>	<u>13,054,921</u>	
Total Assets	<u>11,316,018</u>	<u>472,496</u>	<u>4,442,218</u>	<u>16,230,732</u>	<u>1,079,317</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	74,138	178,721	4,858	257,717	10,587
Accrued wages	31,038	3,261	13,170	47,469	
Accrued interest	51,676			51,676	
Deposits payable	197,144			197,144	
Bonds payable - current	315,000			315,000	
Total Current Liabilities	<u>668,996</u>	<u>181,982</u>	<u>18,028</u>	<u>869,006</u>	<u>10,587</u>
Non-Current Liabilities:					
Advances Payable	250,000			250,000	
Claims Payable					349,648
Bonds payable	3,265,000			3,265,000	
Total Non-Current Liabilities	<u>3,515,000</u>			<u>3,515,000</u>	<u>349,648</u>
Total Liabilities	<u>4,183,996</u>	<u>181,982</u>	<u>18,028</u>	<u>4,384,006</u>	<u>360,235</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,195,784		2,834,575	8,030,359	
Unrestricted	1,936,238	290,514	1,589,615	3,816,367	719,082
Total Net Assets	<u>\$ 7,132,022</u>	<u>\$ 290,514</u>	<u>\$ 4,424,190</u>	<u>\$ 11,846,726</u>	<u>\$ 719,082</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, 2011

	Business-type Activities Enterprise Fund			Total	Governmental
	Water	Solid Waste	Sewer		Activities - Internal Service Fund
OPERATING REVENUES					
Sales and charges for services	\$ 2,937,307	\$ 2,586,368	\$ 796,407	\$ 6,320,082	\$ 557,296
Miscellaneous	48,188	130,829	1,047	180,064	83,577
Total Operating Revenues	<u>2,985,495</u>	<u>2,717,197</u>	<u>797,454</u>	<u>6,500,146</u>	<u>640,873</u>
OPERATING EXPENSES					
Personnel services	363,492	40,200	160,064	563,756	
Employee benefits	228,367	20,869	112,688	361,924	
Office expense	217,146	654	23,400	241,200	
Depreciation	447,783		158,896	606,679	
Outside services	127,121	2,197,386	27,819	2,352,326	214,790
Repairs and maintenance	149,703		32,348	182,051	66,687
Utilities	311,529	216	2,609	314,354	
Franchises		412,648		412,648	
Overhead allocations	352,926	4,540	100,596	458,062	
Claims and judgments					218,689
Total Operating Expenses	<u>2,198,067</u>	<u>2,676,513</u>	<u>618,420</u>	<u>5,493,000</u>	<u>500,166</u>
Operating Income	<u>787,428</u>	<u>40,684</u>	<u>179,034</u>	<u>1,007,146</u>	<u>140,707</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	11,680	1,144	12,371	25,195	5,222
Interest and fiscal charges	(584,691)			(584,691)	
Other revenues (expenses)	(10,042)			(10,042)	
Total Non-Operating Revenues (Expenses)	<u>(583,053)</u>	<u>1,144</u>	<u>12,371</u>	<u>(569,538)</u>	<u>5,222</u>
Other income before transfers	204,375	41,828	191,405	437,608	145,929
Transfers out					(45,127)
Change in Net Assets	<u>204,375</u>	<u>41,828</u>	<u>191,405</u>	<u>437,608</u>	<u>100,802</u>
Net Assets at Beginning of Year	6,927,647	248,686	4,232,785	11,409,118	618,280
Net Assets at End of Year	<u>\$ 7,132,022</u>	<u>\$ 290,514</u>	<u>\$ 4,424,190</u>	<u>\$ 11,846,726</u>	<u>\$ 719,082</u>

See accompanying notes to financial statements.

CITY OF SAN JACINTO

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities- Enterprise Fund			Total	Governmental Activities - Internal Service Fund
	Water	Solid Waste	Sewer		
Cash flows from operating activities:					
Cash received from customers	\$ 2,986,683	\$ 2,712,047	\$ 797,256	\$ 6,495,986	\$ 574,045
Cash payments to suppliers	(1,389,326)	(2,643,002)	(302,714)	(4,335,042)	(549,463)
Cash payments to employees for services	(378,475)	(42,860)	(171,486)	(592,821)	
Net Cash Provided By (Used for) Operating Activities	1,218,882	26,185	323,056	1,568,123	24,582
Cash flows from non-capital financing activities:					
Transfers to other funds					(45,127)
Advances from other funds (Advances to other funds)	206,170		(141,669)	64,501	
Net Cash Provided By (Used for) Non-Capital Financing Activities	206,170		(141,669)	64,501	(45,127)
Cash flows from capital and related financing activities:					
Acquisition or construction of capital assets	(347,732)		(84,985)	(432,717)	
Miscellaneous	20,310			20,310	
Bond principal paid	(300,000)			(300,000)	
Interest and fiscal charges paid	(594,657)			(594,657)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,222,079)		(84,985)	(1,307,064)	
Cash flows from investing activities:					
Interest income received	11,680	1,144	12,371	25,195	5,222
Net Cash Provided By (Used for) Investing Activities	11,680	1,144	12,371	25,195	5,222
Net Increase (Decrease) in Cash and Cash Equivalents	214,653	27,329	108,773	350,755	(15,323)
Cash and Cash Equivalents at Beginning of Year	841,762	68,834	836,847	1,747,443	595,062
Cash and Cash Equivalents at End of Year	\$ 1,056,415	\$ 96,163	\$ 945,620	\$ 2,098,198	\$ 579,739
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income:	\$ 787,428	\$ 40,684	\$ 179,034	\$ 1,007,146	\$ 140,707
Adjustments to reconcile operating income to net income provided by (used for) operating activities:					
Depreciation	447,783		158,896	606,679	
(Increase) decrease in assets:					
Accounts receivable	(7,770)	(5,150)	(198)	(13,118)	(74,606)
Inventories	8,958			8,958	
Deposits with others					(37,207)
Increase (decrease) in liabilities:					
Accounts payable	(40,040)	(6,689)	(3,254)	(49,983)	(12,090)
Accrued wages	(14,983)	(2,660)	(11,422)	(29,065)	
Deposits payable	37,506			37,506	
Claims payable					7,778
Total Adjustments	431,454	(14,499)	144,022	560,977	(116,125)
Net Cash Provided By Operating Activities	\$ 1,218,882	\$ 26,185	\$ 323,056	\$ 1,568,123	\$ 24,582

See accompanying notes to financial statements.

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF SAN JACINTO

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2011

	<u>AGENCY</u>
ASSETS	
Cash and investments	\$ 4,685,066
Cash and investments with fiscal agents	1,633,199
Receivables:	
Accounts	278,224
Due from other governments	9
Total Assets	<u>\$ 6,596,498</u>
LIABILITIES	
Accounts payable	\$ 90,995
Deposits payable	3,279,364
Due to others	1,323
Due to bond holders	3,224,816
Total Liabilities	<u>\$ 6,596,498</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, 2011

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.

The redevelopment project areas were merged on March 1, 2011 pursuant to Ordinance No. 11-02. See Note 16 for additional details.

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, 2011

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, 2011

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.

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 Redevelopment Special Revenue Fund – is used to account for the receipt of 20 percent of the gross tax increment allocation of the City's Redevelopment Agency and low and moderate income housing activity that are restricted by law or administrative action to expenditures for low and moderate income housing activity in accordance with Health and Safety Code Section 33334.

LLPD #2 Special Revenue Fund – is used to account for special assessment tax revenue activity in the City's Districts, restricted for maintenance and service to District facilities.

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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Accounting for Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

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 cash and investment with fiscal agent.

Inventory

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, 2011, land held for resale totaled \$46,948 in the RDA Capital Projects Fund, \$292,859 in the RDA Special Revenue Fund. As detailed within Note 15, the Agency transferred specific parcels to the City's General Fund totaling \$661,252. Land held for resale is valued at the lower of cost or fair market value.

Judgments and Claims

The City utilizes its internal service funds to account for judgments and claims. Self-insurance claims payable of \$177,456 and \$172,192, respectively, are recorded for Workers' Compensation and Liability for the Internal Service Fund.

Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

In governmental funds, compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year end is recorded in the government-wide financial statements as these amounts will be liquidated from future resources.

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, 2011 for sick leave.

Interfund Advances

The City Capital Projects Fund accounts for the City capital projects expenditures. It is the City's policy and practice to transfer cash (advance funds), even if not yet received, to the City Capital Projects Fund at the time of project commitment. Advances payable from the City Capital Projects Fund and receivable to the advancing fund, are recorded to reflect the outstanding amounts advanced at June 30, 2011. 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Property Tax Calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate is generally limited to 1 percent of market value, levied only by the county and shared with all other jurisdictions. The County of Riverside collects property taxes for the City. Tax liens attach annually 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 pension costs as determined annually by PERS actuary (see Note 5).

Accounting Pronouncements Implemented During 2010-2011

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 was effective July 1, 2010.

GASB Statement No. 59 – On 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 was implemented during the fiscal year. The implementation did not have a significant effect on the financial statements.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Future Accounting Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on future 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. 34*. 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 Statement – 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. This statement is effective as of July 1, 2012. The City has not determined its effect on the financial statements.

GASB Statement No. 62 – In December 2010, GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates FASB and AICPA pronouncements into the GASB’s authoritative literature containing certain accounting and financial reporting guidance. This statement is effective as of July 1, 2011. The City has not determined the effect on the financial statements.

GASB Statement No. 63 – In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*. This statement provides financial reporting guidance on deferred outflows of resources and deferred inflows of resources. This statement is effective as of July 1, 2012. The City has not determined the effect on the financial statements.

Fund Balance

Fund Balance is classified in accordance with GASB Statement No. 54, which classifies fund balance into five different components. The components are nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – resources that are not in spendable form or required to be maintained intact such as an endowment.
- *Restricted* – resources that are subject to externally enforceable legal restrictions; these restrictions are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- *Committed* - resources that are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution, whichever is the higher level of constraint. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- *Assigned* - resources that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, any negative residual resources.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City’s policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the City’s policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Those charged with governance approved the Finance Director to have authority to assign unrestricted fund balance amounts where the City’s intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

A. Budgetary Information

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.

Fund expenditures may not legally exceed budgeted appropriations. Budgeted revenue amounts, as presented in the budgetary comparison schedules in the required supplementary information section, 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.

B. Negative Fund Balance and Other Fund Disclosures

The following funds had negative fund balances/retained earnings at June 30, 2011:

<u>Governmental Funds - Non-Major Funds</u>	
Special Revenue:	
Community Facilities District 2003	(2,163,148) *
CSA 152	(71,162) *
Bus Shelter	(1,400)
CFD 2010-1 Administration	(13,059) *
Debt Service Fund:	
Assessment District 87-1	(440,207) **
Capital Projects Fund	
TUMF	\$ (1,000,869) *

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

- The City plans to eliminate deficit fund balance in the TUMF fund through reimbursement of project costs due to the General Fund upon capital project completion.
- The City plans to eliminate deficit fund balance in the Community Facilities District 2003 fund through annual payments of advances from the City’s General Fund.
- The City plans to eliminate deficit fund balance in the CSA 152, Bus Shelter, and CFD 2010-1 fund through repayment of advances from the City’s General Fund.
- 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 Unassigned 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, 2011, are classified in the accompanying financial statements as follows:

	Amount
Statement of Net Assets	
Governmental Activities:	
Cash and investments	\$ 52,313,905
Cash and investments with fiscal agents	1,161,586
Business-Type Activities:	
Cash and investments	1,863,190
Cash and investments with fiscal agents	235,008
Total	55,573,689
Statement of Fiduciary Net Assets:	
Cash and investments	4,685,066
Cash and investments with fiscal agents	1,633,199
Total Cash and Investments	\$ 61,891,954
Cash and Investments are comprised of the following:	
Demand accounts/Money market account	\$ 30,621,949
Cash on hand	5,850
Investments	31,264,155
Total Cash and Investments	\$ 61,891,954

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

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

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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

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

Investment Types Authorized by State Law	Maximum Maturity	Maximum Percentage Allowed*	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	30%	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, 2011

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, 2011

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
Local Agency Investment Fund (LAIF)	\$ 12,167,471	\$ 12,167,471			
Local Government Investment Pool (CAMP):					
Program Pool	252,142	252,142			
Certificates of Deposits	15,814,750	4,093,557	\$ 6,675,803	\$ 5,045,390	
Held by bond trustee:					
Federal National Mortgage Association	763,190			763,190	
Money Market Funds	2,266,602	2,266,602			
Total	<u>\$ 31,264,155</u>	<u>\$ 18,779,772</u>	<u>\$ 6,675,803</u>	<u>\$ 5,808,580</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

Investment Type	Totals	Minimum		Not Rated
		Legal Rating	Rating at End of Year	
Local Agency Investment Fund (LAIF)	\$ 12,167,471	N/A		\$ 12,167,471
Local Government Investment Pool (CAMP):				
Program Pool	252,142	N/A		252,142
Certificates of Deposit	15,814,750	N/A		15,814,750
Held by bond trustee:				
Federal National Mortgage Association	763,190	N/A	AAA	
Money market funds	2,266,602	AAA	AAA	
Total	<u>\$ 31,264,155</u>			

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, the City held certificates of deposit with two financial institutions comprising 26 percent of total City funds.

<u>Issuer:</u>	<u>Amount</u>
Bank of Hemet	\$ 9,702,938
Robobank	6,111,812

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, 2011, the City's balances held in the financial institution (Bank of Hemet) were \$19,461,860.

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, 2011

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, or amortized cost 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, 2011

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,445,636			\$ 3,445,636
Construction in progress	16,883,313	\$ 4,474,415	\$ (10,777,419)	10,580,309
Total Capital Assets Not Being Depreciated	<u>20,328,949</u>	<u>4,474,415</u>	<u>(10,777,419)</u>	<u>14,025,945</u>
Capital Assets Being Depreciated:				
Building and system	7,348,298			7,348,298
Machinery and equipment	5,251,886	188,784	(163,400)	5,277,270
Improvements other than building	2,889,021	68,926	(6,790)	2,951,157
Infrastructure	146,385,865	10,706,148		157,092,013
Total Capital Assets Being Depreciated	<u>161,875,070</u>	<u>10,963,858</u>	<u>(170,190)</u>	<u>172,668,738</u>
Less Accumulated Depreciation For:				
Building and system	(1,086,701)	(177,001)		(1,263,702)
Machinery and equipment	(3,541,583)	(549,091)	159,150	(3,931,524)
Improvements other than building	(1,082,714)	(106,328)		(1,189,042)
Infrastructure	(63,054,002)	(3,996,235)		(67,050,237)
Total Accumulated Depreciation	<u>(68,765,000)</u>	<u>(4,828,655)</u>	<u>159,150</u>	<u>(73,434,505)</u>
Total Capital Assets Being Depreciated, Net	<u>93,110,070</u>	<u>6,135,203</u>	<u>(11,040)</u>	<u>99,234,233</u>
Governmental Activities Capital Assets, Net	<u>\$ 113,439,019</u>	<u>\$ 10,609,618</u>	<u>\$ (10,788,459)</u>	<u>\$ 113,260,178</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 – CAPITAL ASSETS, (Continued)

	Balance at June 30, 2010	Reclassifications	Additions	Deletions	Balance at June 30, 2011
Business-Type Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 55,222				\$ 55,222
Construction in progress	588,539		\$ 383,711		972,250
Total Capital Assets Not Being Depreciated	<u>643,761</u>		<u>383,711</u>		<u>1,027,472</u>
Capital Assets Being Depreciated:					
Building and system	10,105,923	\$ (3,327,133)			6,778,790
Machinery and equipment	2,798,021		49,006	\$ (49,363)	2,797,664
Improvements other than building	3,117,942	3,327,133			6,445,075
Total Capital Assets Being Depreciated	<u>16,021,886</u>		<u>49,006</u>	<u>(49,363)</u>	<u>16,021,529</u>
Less Accumulated Depreciation For:					
Building and system	(1,850,284)		(136,929)		(1,987,213)
Machinery and equipment	(1,727,829)		(209,828)	49,363	(1,888,294)
Improvements other than building	(1,303,213)		(259,922)		(1,563,135)
Total Accumulated Depreciation	<u>(4,881,326)</u>		<u>(606,679)</u>	<u>49,363</u>	<u>(5,438,642)</u>
Total Capital Assets Being Depreciated, Net	<u>11,140,560</u>		<u>(557,673)</u>		<u>10,582,887</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,784,321</u>	<u>\$ -</u>	<u>\$ (173,962)</u>	<u>\$ -</u>	<u>\$ 11,610,359</u>

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

Governmental Activities:	
General government	\$ 300,689
Public safety	243,558
Public works	4,219,111
Community development	65,297
Total Depreciation Expense - Governmental Activities	<u>\$ 4,828,655</u>
Business-Type Activities:	
Water	\$ 447,783
Sewer	158,896
Total Depreciation Expense - Business-Type Activities	<u>\$ 606,679</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 – OTHER ASSETS

	<u>Balance Outstanding at June 30, 2011</u>
<u>Notes Receivable</u>	
In FY 2006-2007 and in FY 2007-2008 the Agency made a loan to a developer for a low and moderate housing project. Amounts provided to the developer were for \$1,238,225 and \$1,061,775 in fiscal years 2007 and in 2008, respectively. There are no annual set or structured payments. The promissory note will accrue interest at the rate of one 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. The project was completed on October 2, 2008.	\$ 2,300,000
On December 2, 2010 the Agency made a loan to a borrower to finance utility connection fees to facilitate operation of the business. There are no annual set or structured payments. The promissory note will accrue interest at the rate equal to the prevailing prime interest rate plus two percent. The total outstanding balance of the Note shall be reduced by 20% each year the borrower maintains the business to the satisfaction of the Agency beginning the fiscal year 2011-2012.	46,546
Loans Total	<u>2,346,546</u>
Accrued interest on note receivable	<u>59,621</u>
Notes Receivable Total	<u>\$ 2,406,167</u>

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. During the fiscal year 2010-2011 none of these loans were repaid. The balance of those loans at June 30, 2011 was \$1,315,639.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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 2010-2011 was 16.514 percent for non-safety which was determined by an actual valuation of the plan as of June 30, 2008. 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 2011, the City's annual pension cost of \$665,432 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method.

Miscellaneous Plan

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension Cost</u> <u>(Employer Contribution)</u> <u>(in thousands)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2009	\$833	100%	-
6/30/2010	\$667	100%	-
6/30/2011	\$665	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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5 – RETIREMENT PLAN, (Continued)

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.

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, 2011, was 8 years for the Miscellaneous Plan.

NOTE 6 – LONG-TERM DEBT

The descriptions of long-term debt outstanding as of June 30, 2011, 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, 2011 was \$22,861. In addition, \$258,631 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
2012	\$ 1,270
2013	1,270
2014	1,270
2015	1,270
2016	1,270
2017-2021	6,350
2022-2026	6,350
2027-2029	3,811
Total	<u>\$ 22,861</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 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, 2011, 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, 2011, 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 unearned revenue in the same amount at the Statement of Net Assets and Governmental Funds Balance Sheet, respectively.

C. Tax Allocation Bonds Payable

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, 2011 was \$8,445,000.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM DEBT, (Continued)

C. Tax Allocation Bonds Payable, (Continued)

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
2012	\$ 215,000	\$ 364,975
2013	220,000	357,765
2014	230,000	349,890
2015	235,000	341,635
2016	245,000	332,873
2017-2021	1,380,000	1,508,435
2022-2026	1,700,000	1,170,265
2027-2031	2,130,000	734,390
2032-2035	2,090,000	197,730
Total	<u>\$ 8,445,000</u>	<u>\$ 5,357,958</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 \$13,802,958, payable through 2034. For the current year, principal and interest paid was \$581,483 for the 2005 Tax Allocation Bonds, and total increment tax revenues received by the Agency totaled \$3,852,484.

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, 2011 is \$2,290,000.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM DEBT, (Continued)

D. Revenue Bonds, (Continued)

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, 2011 is \$1,290,000. The payment of installment purchase payments is on parity with the City's obligation to pay debt service on the 1997 Revenue Bonds.

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
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	100,000	48,195	290,000	61,875
2017-2022	570,000	160,140	980,000	82,775
2023-2024	275,000	21,165		
Total	<u>\$ 1,290,000</u>	<u>\$ 465,141</u>	<u>\$ 2,290,000</u>	<u>\$ 539,825</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 \$2,829,825 and \$1,755,141, payable through 2019 and 2023, respectively. For the current year, principal and interest paid was \$357,138 for the 1997 Bonds and \$143,073 for the 2002 Bonds, and total water enterprise operating revenues received by the City totaled \$2,985,495.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 is \$2,111,578 and is scheduled for repayment as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
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	230,318	91,942	322,260
2017-2020	1,114,153	174,887	1,289,040
Total	<u>\$ 2,111,578</u>	<u>\$ 788,762</u>	<u>\$ 2,900,340</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 \$293,011 and \$168,622, respectively. Principal and interest payments are paid semi-annually on January 20th and July 20th. The annual interest rates applicable to the leases are 4.53 percent and 4.46 percent respectively. The combined outstanding balance at June 30, 2011 for both leases is \$349,241 and is scheduled for repayment as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2012	\$ 134,316	\$ 14,257	\$ 148,573
2013	104,590	8,152	112,742
2014	72,730	4,184	76,914
2015	37,605	850	38,455
Total	<u>\$ 349,241</u>	<u>\$ 27,443</u>	<u>\$ 376,684</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM DEBT, (Continued)

G. Changes in Long-Term Liabilities

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Due within one year
<u>Governmental</u>					
Bonds Payable:					
2005 Tax Allocation Bonds	\$ 8,655,000		\$ (210,000)	\$ 8,445,000	\$ 215,000
Less deferred loss on refunding	(23,803)		1,763	(22,040)	
Special assessment debt with governmental commitment	1,125,000			1,125,000	
Matured unpaid interest on special assessment debt with government commitment	508,491			508,491	
Loans Payable:					
EMWD	24,131		(1,270)	22,861	1,270
Unfunded pension liability- inactive safety plan	2,270,156		(158,578)	2,111,578	170,867
Lease payable	477,717		(128,476)	349,241	134,316
Claims and judgment	341,870	\$ 85,615	(77,837)	349,648	
Compensated absences	157,547	4,351		161,898	
Governmental Activities Long-Term Liabilities	<u>\$ 13,536,109</u>	<u>\$ 89,966</u>	<u>\$ (574,398)</u>	<u>\$ 13,051,677</u>	<u>\$ 521,453</u>
<u>Business-Type Activities</u>					
Bonds Payable:					
1997 Revenue Bonds	\$ 2,515,000		\$ (225,000)	\$ 2,290,000	\$ 235,000
2002 Revenue Bonds	1,365,000		(75,000)	1,290,000	80,000
Business-Type Activities Long-Term Liabilities	<u>\$ 3,880,000</u>	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ 3,580,000</u>	<u>\$ 315,000</u>

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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). The 1989 issue was secured by special taxes levied by the City on property within the boundaries of CFD No. 2, and was not a debt of the City of San Jacinto. Due to the large number of delinquent, undeveloped parcels in the CFD No. 2, CFD No. 2 was unable to meet its debt obligations since 1997 and therefore, there was a default with respect to the payment of the principal and interest on the 1989 issue.

In September 2002, a Memorandum of Understanding (MOU) was entered into with the majority bondholder to set forth numerous objectives, but primarily focused on refinancing the 1989 Issue, 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. As a result, a number of complex interrelated actions have occurred as follows:

1. On or about September 10, 2002; the City foreclosed on certain delinquent, undeveloped parcels in CFD No. 2 using a credit bid procedure and caused the transfer of the parcels to a land owner capable of developing the parcels for residential purposes, formed CFD No. 2002-1 on the foreclosed parcels and established a new Rate and Method of Apportionment (RMA) for CFD 2002-1, and authorized bonded indebtedness to repay new bonds to be issued by CFD No. 2002-1 in order to eliminate the lien of the CFD No. 2 special tax on the foreclosed parcels.
2. On October 10, 2002, \$9,360,000 CFD No. 2 City of San Jacinto Special Tax Refunding Bonds, 2002, Series A (the "A Bonds"), were issued for the purpose of advance refunding in part and current refunding in part a portion of the outstanding 1989 issue and to fund a bond reserve fund. These bonds were sold to the investing public. The principal outstanding at June 30, 2011 is \$3,835,000.
3. Concurrently, \$18,267,762 CFD No. 2 City of San Jacinto Special Tax Refunding Bonds, Subordinate Series B (the "B Bonds"), were issued for the purpose of redeeming the balance of the 1989 issue on a current basis. The Bonds were delivered to the majority bond owner in exchange for the 1989 issue that was not prepaid by the A Bonds. The principal outstanding at June 30, 2011 is \$138,627.
4. Concurrently, \$17,841,416 CFD No. 2002-1 City of San Jacinto Special Tax Bonds, 2002 Series A (the "2002 Bonds"), were issued, which, pursuant to a bond exchange agreement with the majority bondholder of the "1989 issue," would be delivered by the City to the San Jacinto Financing Authority in exchange for the B Bonds, as further described below. Upon the exchange all of the B Bonds, except the amount of \$138,627, were cancelled and the lien of special taxes of CFD No. 2 on the foreclosed parcels was also cancelled. This issue is currently owned by the San Jacinto Financing Authority. These bonds are only intended to be resold only to sophisticated investors. The outstanding balance at June 30, 2011 is \$17,841,416.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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. Concurrently, \$17,841,416 San Jacinto Financing Authority 2002 Local Agency Revenue Bonds, Series A (the “SJFA Bonds”), were issued for the purpose of exchanging the SJFA Bonds with the B Bonds owned by the majority bond owner and then concurrently exchanging the B Bonds (except the amount of \$138,627) for the 2002-1 Bonds, as described above. The SJFA owns the 2002-1 Bonds and the outstanding B Bonds. This is a private placement issue. The balance at June 30, 2011 is \$20,079,817.

All bonds represent special limited obligations of the City, payable solely from special taxes levied within CFD No. 2 or CFD No. 2002-1, as applicable, and are not an obligation of the General Fund of the City of San Jacinto. The City has covenanted to annually levy the special tax and, in the event of any delinquency in payment to the City of the special tax, the City may order action to foreclose on any property liens.

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, 2011 were as follows:

	Receivable Fund		Totals
	General Fund	RDA Debt Service	
Payable Fund			
Redevelopment Special Revenue		\$ 105,578	105,578
LLPD #2	\$ 8,734		8,734
Non-Major Governmental Funds	1,850,598	8,649	1,859,247
Total	\$ 1,859,332	\$ 114,227	\$ 1,973,559

- Interfund Payables from the LLPD #2 Fund to the General Fund represent temporary loans to cover negative cash balances.
- Interfund Payables from the Non-Major Governmental Funds to the General Fund represent temporary loans to cover negative cash balances.
- Interfund Payables from the Redevelopment Special Revenue Non-Major Governmental Funds to the RDA Debt Service Fund represent temporary loans to cover negative cash balances.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Interfund Transactions – Advances

Payable Fund	Receivable Fund				Totals
	General Fund	Non-Major Governmental Funds	Enterprise-Water Fund	Enterprise-Sewer Fund	
Water Fund	\$ 250,000				\$ 250,000
City Capital Projects Fund	2,181,092	\$ 4,495,116	\$ 699,136	\$ 540,307	\$ 7,915,651
Non-Major Governmental Funds	1,635,383	144,128			1,779,511
Total	\$ 4,066,475	\$ 4,639,244	\$ 699,136	\$ 540,307	\$ 9,945,162

- Advances between the City Capital Projects Fund, and other City funds are for cash advanced to the City Capital Projects Fund for expected project costs. Also see Note 1, Interfund Advances.
- 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, 2011 were \$1,338,304 and \$1,000 respectively.
- The advances of \$296,079 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 \$440,207 is not expected to be repaid within the next year.
- Advances to the Water Fund from the General Fund represent a loan from the General Fund to the Water Fund.

NOTE 8 – TRANSFERS IN AND OUT

Individual fund transfers in and transfers out activity as of June 30, 2011 were as follows:

Transfers-In	Transfers-Out					Totals
	General Fund	RDA Special Revenue Fund	RDA Debt Service Fund	Non-Major Governmental Funds	Internal Service Funds	
General Fund	\$ 26,570			\$ 661,252	\$ 45,127	\$ 732,949
City Capital Projects Fund	254,571	\$ 1,117,011		4,231,065		5,602,647
LLPD #2	14,922					14,922
Non-Major Governmental Funds	64,859		\$1,500,000			1,564,859
Total	\$ 360,922	\$ 1,117,011	\$1,500,000	\$ 4,892,317	\$ 45,127	\$ 7,915,377

- Transfers within General Fund sub-funds are to transfer money for the creation of a new fund.
- Transfers from the General Fund to the City Capital Projects Fund are to fund various capital projects of the City, see Note 1, Interfund Advances.
- Transfers from the RDA Special Revenue Fund to the City Capital Projects Fund are to fund various capital projects of the City, see Note 1, Interfund Advances.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8 – TRANSFERS IN AND OUT, (Continued)

- Transfers from the RDA Debt Service Fund to Non-Major Governmental Funds are for annual transfers for capital projects and administration expenditures; see Note 1, Interfund Advances.
- Transfers from Non-major Governmental Funds to the General Fund are for transfer of land held for resale in the amount of \$661,252.
- Transfers from Non-major Governmental Funds to the City Capital Projects Fund are to fund various capital projects of the City, see Note 1, Interfund Advances.
- Transfers from General Fund to the LLPD #2 Fund are for the payment of park utility costs.
- Transfers from the General Fund to Non-Major Governmental Funds are to cover negative cash balances in the amount of \$11,154 and for the replacement of two police motorcycles for \$53,705.

- Transfers from Internal Service Funds to the General Fund are for computer server and workstation equipment replacement.

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)
General Fund	113,947	(b)
RDA Special Revenue Fund	2,359,621	(c)
Non-major Governmental Funds		
SB 621 Gaming Impact Grants	538,986	(b)
Vandalism & Graffiti Reward Fund	42,754	(b)
RDA Capital Projects Fund	<u>46,546</u>	(b)
	<u>3,101,854</u>	
	<u><u>\$ 4,735,345</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.

(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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 \$50,000,000.

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, 2011, the amount of these liabilities was \$349,648.

The amount represents an estimate of \$207,683 for reported claims through June 30, 2011, and \$141,965 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>
2009-2010	\$ 319,665	\$ 22,205	\$ 341,870
2010-2011	341,870	7,778	349,648

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, 2011, which can be obtained from Public Entity Risk Management Authority, 77-670 Springfield Land, Suite 1A, Palm Desert, California 92211.

NOTE 11 – COMMITMENTS

Construction Commitments

The City has entered into various commitments for construction and/or capital projects. As of June 30, 2011, the City had outstanding contracts commitments of \$2,220,856.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 – FUND BALANCE RESERVATIONS/DESIGNATIONS

The City’s Government Fund balances are detailed below:

	General Fund	City Capital Projects	Redevelopment Special Revenue	LLPD #2	Redevelopment Debt Service	Non-major Governmental Funds	Total
Nonspendable:							
Advances receivable	\$ 4,066,475					\$ 2,305,866	\$ 6,372,341
Prepays	30,263	\$ 1,260					31,523
Land held for resale	661,252					46,948	708,200
Total Nonspendable	4,757,990	1,260				2,352,814	7,112,064
Restricted:							
Debt service					\$ 2	126,172	126,174
Land held for resale			\$ 292,859				292,859
Advances receivable						2,333,378	2,333,378
Redevelopment			1,548,412				1,548,412
Lighting and landscape				\$ 8,122,800			8,122,800
Other government restrictions						6,305,726	6,305,726
Total Restricted			1,841,271	8,122,800	2	8,765,276	18,729,349
Assigned:							
Redevelopment Debt Service					4,143,507		4,143,507
Other government restrictions						3,422,272	3,422,272
Total Assigned					4,143,507	3,422,272	7,565,779
Unassigned:							
	17,750,307	(1,260)				(3,711,239)	14,037,808
Total Fund Balance	\$ 22,508,297	\$ 1,260	\$ 1,841,271	\$ 8,122,800	\$ 4,143,509	\$ 10,829,123	\$ 47,445,000

The City has established a minimum fund balance policy for the General Fund Contingency Reserve. The City Council stipulates that the Contingency Reserve be a minimum of 15% of the upcoming fiscal years General Fund annual budgeted operating expenditures. At fiscal year end the Reserve for Contingency balance was \$5,267,236, 42.66% of fiscal year June 30, 2012 budgeted operating expenditures. This reserve has been reported as unassigned in the General Fund.

NOTE 13 – SOBOBA SETTLEMENT ACT

The Act was signed into Law by the President of the United States of America on July 31, 2008. As part of the Settlement Agreement the Soboba Tribe negotiated a water rights claim with local water districts and Municipalities, including the City of San Jacinto, for the Tribe’s lost water resources caused by the construction of the San Jacinto Tunnel. The settlement act requires local agency’s including the City of San Jacinto to set up a groundwater management plan. The groundwater management plan will require large payments by the City for water pumped from the groundwater basin; it will also provide 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. See Note 18 on City Council approval of the groundwater management plan.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 14 – RDA PROJECT AREA MERGER

On March 1, 2011, the Redevelopment Agency Council adopted Ordinance No. 11-02, to merge and amend the Redevelopment Plans for San Jacinto and Soboba Springs Redevelopment Project Areas. The amendments to the plan accomplished the following:

1. Amend the existing Redevelopment Plans for the San Jacinto Redevelopment Project Area to merge it with the Soboba Springs Redevelopment Project Area for financial reasons. More specifically, amending the Redevelopment Plans for the existing San Jacinto and Soboba Springs Project Areas to combine the tax increment and outstanding bonded limit so that the tax increment and outstanding bonded indebtedness limits for the proposed Merged San Jacinto Redevelopment Project Area (“Merged Project Area”) are those previously established for the existing San Jacinto Redevelopment Project Area. This amendment will have the effect of increasing both the tax increment and outstanding bonded indebtedness limits for the Soboba Springs Redevelopment Project Area.
2. Update and expand the capital improvement projects list for the Merged Project Area.
3. Adopting a single Merged, Amended and Restated Redevelopment Plan to cover the Merged Project Area.
4. Re-instate eminent domain authority in the San Jacinto Project Area for a 12 year period commencing with the effectiveness of the ordinance adopting the Merged, Amended and Restated Redevelopment Plan (if adopted), with the prohibition that the Agency cannot acquire by eminent domain any single family owner occupied home pursuant to Section 19 of Article 1 of the State of California Constitution (Proposition 99). Eminent domain authority will be applicable within the San Jacinto Project Area and not in the Soboba Springs portion of the Merged Project Area.
5. Eliminate the time limit to incur debt for the Soboba Springs Redevelopment Project Area pursuant to SB211 Statutes of 2002.

NOTE 15 – CONTINGENCIES

A. Supplemental Educational Revenue Augmentation Fund

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 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 \$1,889,895 during fiscal year 2009-2010 and a payment of \$388,588 in fiscal year 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.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 – CONTINGENCIES, (Continued)

B. Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-2012 and annual payments each fiscal year thereafter. Assembly Bill X1 27 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of San Jacinto intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-2013 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26. At a joint meeting of the city of San Jacinto and the San Jacinto Redevelopment Agency on April 5, 2011, nine properties (see NOTE #15 for details) were transferred from the San Jacinto Redevelopment Agency to the City of San Jacinto pursuant to Section 33220(g) of the Health and Safety Code.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligation Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Since the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule (EOPS) and draft Recognized Obligation Payment Schedule (ROPS) prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABX1 26.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 – CONTINGENCIES, (Continued)

B. Recent Changes in Legislation Affecting California Redevelopment Agencies, (Continued)

On December 29, 2011, the California Supreme Court upheld that Assembly Bill 1X 26 was constitutional. Assembly Bill 1X 26 dissolves redevelopment agencies and redirects their property tax revenues. Assembly Bill 1X 27 was struck down by the Supreme Court.

C. Grants

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.

D. Other

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.

NOTE 16 – TRANSFER OF PROPERTY FROM THE REDEVELOPMENT AGENCY TO THE CITY

At a joint meeting of the City of San Jacinto and the San Jacinto Redevelopment Agency on April 5, 2011, the following properties were transferred from the Agency to the City; APN numbers 439-112-008-0, 439-112-004-6, 439-112-009-1, 439-112-032-1, 439-112-033-2, 434-090-005-5, 437-046-010-3, 437-045-020-9, 435-020-031-8 at a total balance of \$661,252. Conveying the properties to the City pursuant to Section 33220(g) of the Health and Safety Code would allow for the potential redevelopment of these properties within local control and in accordance with the redevelopment plans. Land Held for Resale was transferred at carrying value.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 17 – REDEVELOPMENT SUBSEQUENT EVENTS/COMMITMENTS/GOING CONCERN

On August 2, 2011, City Urgency Ordinance No. 1031 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills 1X 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$3.96 million with one half due on January 15, 2012 and the other half due on May 15, 2012. Thereafter, an estimated \$1 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in the tax increment. Additionally, an increased amount would be due to schools if any “new debt” is incurred. This ordinance also requires the Agency to transfer annual portions of its tax increment to the City in amounts not to exceed the annual community remittance payments to enable the City, directly or indirectly, to make the annual remittance payments. The City Council does not intend, by enactment of this ordinance, to pledge any of its General Fund revenues or assets to make the remittance payments.

Assembly Bill 1X 27 allowed a one-year reprieve on the agency’s obligation to contribute 20 percent of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of AB 1X 26.

On August 16, 2011, the Redevelopment Agency adopted the Enforceable Obligation payment Schedule (EOPS), and on September 20, 2011, the Recognized Obligation Payment Schedule (ROPS) was also adopted. On or about September 29, 2011 a Complaint for Declaratory and Injunctive Relief and Petition for Writ of Mandate was filed by the City of Cerritos and its Agency on behalf of several state redevelopment agencies, including the Redevelopment Agency of the City of San Jacinto challenging the constitutionality of Assembly Bill 1X 26 and 27. This action was filed with the Sacramento Superior Court.

On December 29, 2011, the California Supreme Court upheld that Assembly Bill 1X 26 was constitutional and therefore dissolves redevelopment agencies and redirects their property tax revenues; Assembly Bill 1X 27 was struck down by the Supreme Court.

Management believes that the Successor Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame is subject to the details of Assembly Bill 1X 26.

The Agency’s management is evaluating the impact of the Supreme Court's decision to uphold Assembly Bill 1X 26, which dissolves redevelopment agencies.

The California Supreme Court identified the date of dissolution for redevelopment agencies as February 1, 2012. Accordingly, as of February 1, 2012, the San Jacinto Redevelopment Agency is dissolved; the financial statements do not include any adjustments that might result from any uncertainties or the dissolution of the Agency.

CITY OF SAN JACINTO

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 18 – SUBSEQUENT EVENTS

Property Purchase

On May 3, 2011, the Agency Board approved the purchase of APN 437-076-001 and 437-076-002 at a purchase price of \$779,000. Escrow was closed and the sale completed on September 7, 2011.

Soboba Settlement Act Agreement

As detailed in Note 13, the City was awaiting implementation of a settlement pursuant to the City's groundwater management plan. On February 7, 2012 the City Council adopted resolution No. 3413 approving the San Jacinto Groundwater Management Plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,223,429	\$ 5,223,429	\$ 5,132,601	\$ (90,828)
Licenses and permits	382,900	382,900	360,329	(22,571)
Fines and forfeitures	380,000	380,000	393,122	13,122
Intergovernmental	3,458,800	3,890,044	3,022,669	(867,375)
Charges for services	337,050	337,050	273,215	(63,835)
Use of money and property	349,000	349,000	334,137	(14,863)
Other	2,733,278	2,733,278	2,752,357	19,079
Total Revenues	<u>12,864,457</u>	<u>13,295,701</u>	<u>12,268,430</u>	<u>(1,027,271)</u>
EXPENDITURES				
Current:				
General government	1,920,163	1,978,989	1,946,651	32,338
Public safety	9,243,916	9,541,560	9,054,689	486,871
Public works	471,681	471,681	183,050	288,631
Community development	1,550,286	1,973,786	1,489,781	484,005
Culture and leisure	1,042,746	1,044,246	418,078	626,168
Debt service:				
Principal	93,414	93,414	93,414	
Interest	12,746	12,746	12,747	(1)
Capital outlay	8,200	15,092	18,591	(3,499)
Total Expenditures	<u>14,343,152</u>	<u>15,131,514</u>	<u>13,217,001</u>	<u>1,914,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,478,695)</u>	<u>(1,835,813)</u>	<u>(948,571)</u>	<u>887,242</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	179,025	179,025	732,949	553,924
Transfers out	(2,620,770)	(2,771,670)	(360,922)	2,410,748
Total Other Financing Sources (Uses)	<u>(2,441,745)</u>	<u>(2,592,645)</u>	<u>372,027</u>	<u>2,964,672</u>
Net Change in Fund Balance	(3,920,440)	(4,428,458)	(576,544)	3,851,914
Fund Balance, Beginning of Year	<u>23,084,841</u>	<u>23,084,841</u>	<u>23,084,841</u>	
Fund Balance, End of Year	<u>\$ 19,164,401</u>	<u>\$ 18,656,383</u>	<u>\$ 22,508,297</u>	<u>\$ 3,851,914</u>

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
LLPD #2 FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 2,999,384	\$ 2,999,384	\$ 3,013,660	\$ 14,276
Development fees	14,655	14,655	10,957	(3,698)
Use of money and property	81,796	81,796	66,265	(15,531)
Other			7,707	7,707
Total Revenues	<u>3,095,835</u>	<u>3,095,835</u>	<u>3,098,589</u>	<u>2,754</u>
EXPENDITURES				
Current:				
Community development	6,216,784	6,216,784	2,239,740	3,977,044
Capital outlay			212,319	(212,319)
Total Expenditures	<u>6,216,784</u>	<u>6,216,784</u>	<u>2,452,059</u>	<u>3,764,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,120,949)</u>	<u>(3,120,949)</u>	<u>646,530</u>	<u>3,767,479</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	18,000	18,000	14,922	(3,078)
Total Other Financing Sources (Uses)	<u>18,000</u>	<u>18,000</u>	<u>14,922</u>	<u>(3,078)</u>
Net Change in Fund Balance	(3,102,949)	(3,102,949)	661,452	3,764,401
Fund Balance, Beginning of Year	<u>7,461,348</u>	<u>7,461,348</u>	<u>7,461,348</u>	
Fund Balance, End of Year	<u>\$ 4,358,399</u>	<u>\$ 4,358,399</u>	<u>\$ 8,122,800</u>	<u>\$ 3,764,401</u>

CITY OF SAN JACINTO

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,038,920	\$ 1,038,920	\$ 963,093	\$ (75,827)
Use of money and property	10,000	10,000	6,843	(3,157)
Total Revenues	<u>1,048,920</u>	<u>1,048,920</u>	<u>969,936</u>	<u>(78,984)</u>
EXPENDITURES				
Current:				
Community development	361,072	361,072	287,238	73,834
Debt service:				
Principal	145,026	145,026	145,026	
Interest	256,547	256,547	256,547	
Total Expenditures	<u>762,645</u>	<u>762,645</u>	<u>688,811</u>	<u>73,834</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>286,275</u>	<u>286,275</u>	<u>281,125</u>	<u>(5,150)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,094,145)	(2,256,780)	(1,117,011)	1,139,769
Total Other Financing Sources (Uses)	<u>(2,094,145)</u>	<u>(2,256,780)</u>	<u>(1,117,011)</u>	<u>1,139,769</u>
Net Change in Fund Balance	(1,807,870)	(1,970,505)	(835,886)	1,134,619
Fund Balance, Beginning of Year	<u>2,677,157</u>	<u>2,677,157</u>	<u>2,677,157</u>	
Fund Balance, End of Year	<u>\$ 869,287</u>	<u>\$ 706,652</u>	<u>\$ 1,841,271</u>	<u>\$ 1,134,619</u>

SUPPLEMENTARY SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF SAN JACINTO

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

JUNE 30, 2011

	Special Revenue Funds				
	Gas Tax	Measure A	AB2928 Traffic Congestion	Traffic Safety	Community Facilities District #2
ASSETS					
Cash and investments		\$ 384,592			\$ 12,659
Cash and investments with fiscal agent					
Receivables:					
Accounts					
Property taxes					
Due from other governments	\$ 37,712	86,531		\$ 15,844	
Notes receivable					
Advances receivable		1,391,665		252,230	
Land held for resale					
Total Assets	\$ 37,712	\$ 1,862,788	\$ -	\$ 268,074	\$ 12,659
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,921			\$ 10,165	
Accrued payroll					
Due to other funds					
Deferred revenue					
Advances payable					
Total Liabilities	1,921			10,165	
FUND BALANCES:					
Nonspendable					
Restricted	35,791	1,862,788		257,909	\$ 12,659
Unassigned					
Total Fund Balances	35,791	1,862,788		257,909	12,659
Total Liabilities and Fund Balances	\$ 37,712	\$ 1,862,788	\$ -	\$ 268,074	\$ 12,659

Special Revenue Funds

CFD #2010-1 Administrative Fund	LLPD #1	Park Development	Community Development Block Grant	Parkway Development	Community Facilities District 2003	CSA 152
	\$ 36,636	\$ 35,187		\$ 102,880		
	16,970				\$ 74,528	
<u>\$ -</u>	<u>\$ 53,606</u>	<u>\$ 35,187</u>	<u>\$ -</u>	<u>\$ 102,880</u>	<u>\$ 74,528</u>	<u>\$ -</u>
	\$ 53,606				\$ 899,372	\$ 2,287
\$ 13,059						592
						68,733
					<u>1,338,304</u>	
<u>13,059</u>	<u>53,606</u>				<u>2,237,676</u>	<u>71,612</u>
		\$ 35,187		\$ 102,880		
(13,059)					(2,163,148)	(71,612)
(13,059)		35,187		102,880	(2,163,148)	(71,612)
<u>\$ -</u>	<u>\$ 53,606</u>	<u>\$ 35,187</u>	<u>\$ -</u>	<u>\$ 102,880</u>	<u>\$ 74,528</u>	<u>\$ -</u>

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)

JUNE 30, 2011

	Special Revenue Funds				
	Bus Shelter	Public Safety Sales Tax	Air Quality Improvement	AB3229 COPS Program	Fire Mitigation
ASSETS					
Cash and investments	\$ 92		\$ 169,432	\$ 78,783	\$ 650,912
Cash and investments with fiscal agent					
Receivables:					
Accounts					
Property taxes					
Due from other governments		\$ 15,176	8,816	25,228	
Notes receivable					
Advances receivable					
Land held for resale					
Total Assets	<u>\$ 92</u>	<u>\$ 15,176</u>	<u>\$ 178,248</u>	<u>\$ 104,011</u>	<u>\$ 650,912</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 79		\$ 126,813	\$ 8,305	
Accrued payroll	1,413				
Due to other funds					
Deferred revenue					
Advances payable					
Total Liabilities	<u>1,492</u>		<u>126,813</u>	<u>8,305</u>	
FUND BALANCES:					
Nonspendable					
Restricted		\$ 15,176	\$ 51,435	95,706	\$ 650,912
Unassigned	(1,400)				
Total Fund Balances	<u>(1,400)</u>	<u>15,176</u>	<u>51,435</u>	<u>95,706</u>	<u>650,912</u>
Total Liabilities and Fund Balances	<u>\$ 92</u>	<u>\$ 15,176</u>	<u>\$ 178,248</u>	<u>\$ 104,011</u>	<u>\$ 650,912</u>

Special Revenue Funds

SB 621 Gaming Impact Grants	AB1600	Special District Administration	Asset Seizure	Assessment District 2003-01	SB 821
\$ 538,986	\$ 740,826	\$ 188,886	\$ 45	\$ 1,303,336	\$ 16,958
				20,642	
<u>\$ 538,986</u>	<u>\$ 740,826</u>	<u>\$ 188,886</u>	<u>\$ 45</u>	<u>\$ 1,323,978</u>	<u>\$ 16,958</u>
		\$ 2,104 4,148			
\$ 538,986					
<u>538,986</u>		<u>6,252</u>			
	\$ 740,826	182,634	\$ 45	\$ 1,323,978	\$ 16,958
	<u>740,826</u>	<u>182,634</u>	<u>45</u>	<u>1,323,978</u>	<u>16,958</u>
<u>\$ 538,986</u>	<u>\$ 740,826</u>	<u>\$ 188,886</u>	<u>\$ 45</u>	<u>\$ 1,323,978</u>	<u>\$ 16,958</u>

CITY OF SAN JACINTO

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET, (Continued)

JUNE 30, 2011

	<u>Special Revenue Funds</u>		
	<u>Developer Impact Fees</u>	<u>Vandalism & Graffiti Reward</u>	<u>Total Special Revenue Funds</u>
ASSETS			
Cash and investments	\$ 2,546,316	\$ 18,468	\$ 6,824,994
Cash and investments with fiscal agent			-
Receivables:			
Accounts		43,707	43,707
Property taxes			112,140
Due from other governments			189,307
Notes receivable			-
Advances receivable	689,483		2,333,378
Land held for resale			-
Total Assets	<u>\$ 3,235,799</u>	<u>\$ 62,175</u>	<u>\$ 9,503,526</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable			\$ 1,104,652
Accrued payroll			6,153
Due to other funds			81,792
Deferred revenue		\$ 42,754	581,740
Advances payable		1,000	1,339,304
Total Liabilities		<u>43,754</u>	<u>3,113,641</u>
FUND BALANCES:			
Nonspendable			
Restricted	\$ 3,235,799	18,421	8,639,104
Unassigned			(2,249,219)
Total Fund Balances	<u>3,235,799</u>	<u>18,421</u>	<u>6,389,885</u>
Total Liabilities and Fund Balances	<u>\$ 3,235,799</u>	<u>\$ 62,175</u>	<u>\$ 9,503,526</u>

CITY OF SAN JACINTO

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

JUNE 30, 2011

	Capital Projects			
	TUMF Capital Projects	Underground Utility	Flood Control	Traffic Signalization
ASSETS				
Cash and investments		\$ 955,070	\$ 2,078,851	\$ 124,765
Cash and investments with fiscal agent				
Receivables:				
Accounts	\$ 767,937			
Property taxes				
Due from other governments			222,328	
Notes receivable				
Advances receivable			1,224,565	262,050
Land held for resale				
Total Assets	<u>\$ 767,937</u>	<u>\$ 955,070</u>	<u>\$ 3,525,744</u>	<u>\$ 386,815</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable				
Accrued payroll				
Due to other funds	\$ 1,768,806			
Deferred revenue				
Advances payable				
Total Liabilities	<u>1,768,806</u>			
FUND BALANCES				
Nonspendable			\$ 1,224,565	\$ 262,050
Restricted				
Assigned		\$ 955,070	2,301,179	124,765
Unassigned	(1,000,869)			
Total Fund Balances	<u>(1,000,869)</u>	<u>955,070</u>	<u>3,525,744</u>	<u>386,815</u>
Total Liabilities and Fund Balances	<u>\$ 767,937</u>	<u>\$ 955,070</u>	<u>\$ 3,525,744</u>	<u>\$ 386,815</u>

Capital Projects		Total Capital Projects Funds	Debt Service	Total
Highway 79 Capital Projects	Redevelopment Agency		Assessment District 87-1 Debt Service	Non-Major Governmental Funds
\$ 41,258	\$ 87,885	\$ 3,287,829		\$ 10,112,823
	126,172	126,172		126,172
		767,937		811,644
			\$ 1,633,491	1,745,631
		222,328		411,635
	46,546	46,546		46,546
675,123	144,128	2,305,866		4,639,244
	46,948	46,948		46,948
<u>\$ 716,381</u>	<u>\$ 451,679</u>	<u>\$ 6,803,626</u>	<u>\$ 1,633,491</u>	<u>\$ 17,940,643</u>
	\$ 89,223	\$ 89,223		\$ 1,193,875
	10,957	10,957		17,110
	8,649	1,777,455		1,859,247
	46,546	46,546	\$ 1,633,491	2,261,777
			440,207	1,779,511
	155,375	1,924,181	2,073,698	7,111,520
\$ 675,123	191,076	2,352,814		2,352,814
	126,172	126,172		8,765,276
41,258		3,422,272		3,422,272
	(20,944)	(1,021,813)	(440,207)	(3,711,239)
716,381	296,304	4,879,445	(440,207)	10,829,123
<u>\$ 716,381</u>	<u>\$ 451,679</u>	<u>\$ 6,803,626</u>	<u>\$ 1,633,491</u>	<u>\$ 17,940,643</u>

CITY OF SAN JACINTO

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

FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				
	Gas Tax	Measure A	AB2928 Traffic Congestion	Traffic Safety	Community Facilities District #2
REVENUES					
Taxes and tax increment	\$ 927,473	\$ 532,244			
Assessments					
Fines and forfeiture				\$ 121,634	
Development fees					
Intergovernmental				66	
Use of money and property		14,960	\$ 5,728	2,118	\$ 114
Other					
Total Revenues	927,473	547,204	5,728	123,818	114
EXPENDITURES					
Current:					
Public safety				52,635	
Public works	910,748	18,683		15,445	
Community development					
Culture and leisure					
Debt service:					
Principal					
Interest					
Capital outlay				74,046	
Total Expenditures	910,748	18,683		142,126	
Excess (Deficiency) of Revenue Over (Under) Expenditures	16,725	528,521	5,728	(18,308)	114
OTHER FINANCING SOURCES (USES)					
Transfers in				53,705	
Transfers out		(470,637)	(634,267)	(115,480)	
Total Other Financing Sources (Uses)		(470,637)	(634,267)	(61,775)	
Net Change in Fund Balances	16,725	57,884	(628,539)	(80,083)	114
Fund Balances at Beginning of Year	19,066	1,804,904	628,539	337,992	12,545
Fund Balances at End of Year	\$ 35,791	\$ 1,862,788	\$ -	\$ 257,909	\$ 12,659

Special Revenue Funds

CFD #2010-1 Administrative Fund	LLPD #1	Park Development	Community Development Block Grant	Parkway Development	Community Facilities District 2003	CSA 152
	\$ 651,431				\$ 1,728,352	
		\$ 338	\$ 500,000	\$ 930		\$ 73,229
	15,500				436	
	666,931	338	500,000	930	1,728,788	73,229
					2,407,962	
\$ 10,402					30,032	30,613
	665,392	5,132				
					17,367	35,062
	1,539					7,350
10,402	666,931	5,132			2,455,361	73,025
(10,402)		(4,794)	500,000	930	(726,573)	204
(10,402)		(4,794)	500,000	930	(726,573)	204
(2,657)		39,981	(500,000)	101,950	(1,436,575)	(71,816)
\$ (13,059)	\$ -	\$ 35,187	\$ -	\$ 102,880	\$ (2,163,148)	\$ (71,612)

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, 2011

	Special Revenue Funds				
	Bus Shelter	Public Safety Sales Tax	Air Quality Improvement	AB3229 COPS Program	Fire Mitigation
REVENUES					
Taxes and tax increment		\$ 185,870			
Assessments					
Fines and forfeiture					
Development fees					\$ 2,137
Intergovernmental			\$ 40,507	\$ 100,000	
Use of money and property	\$ 3	52	1,357	356	5,880
Other	72,000				
Total Revenues	72,003	185,922	41,864	100,356	8,017
EXPENDITURES					
Current:					
Public safety		170,746	1,522	500	
Public works					
Community development	85,799				
Culture and leisure					
Debt service:					
Principal					
Interest					
Capital outlay			126,813	16,151	
Total Expenditures	85,799	170,746	128,335	16,651	
Excess (Deficiency) of Revenue Over (Under) Expenditures	(13,796)	15,176	(86,471)	83,705	8,017
OTHER FINANCING SOURCES (USES)					
Transfers in	11,154				
Transfers out					
Total Other Financing Sources (Uses)	11,154				
Net Change in Fund Balances	(2,642)	15,176	(86,471)	83,705	8,017
Fund Balances at Beginning of Year	1,242		137,906	12,001	642,895
Fund Balances at End of Year	\$ (1,400)	\$ 15,176	\$ 51,435	\$ 95,706	\$ 650,912

Special Revenue Funds

SB 621 Gaming Impact Grants	AB1600	Special District Administration	Asset Seizure	Assessment District 2003-01	SB 821
				\$ 479,961	
\$ 2,154	\$ 8,571				
1,287	653,074	\$ 1,709		10,373	\$ 153
		263,067			
3,441	668,179	264,776		490,334	153
				321,500	
3,080			\$ 195	68,020	
	3,278	282,864			
3,080	3,278	282,864	195	389,520	
361	664,901	(18,088)	(195)	100,814	153
	(39,247)				
	(39,247)				
361	625,654	(18,088)	(195)	100,814	153
(361)	115,172	200,722	240	1,223,164	16,805
\$ -	\$ 740,826	\$ 182,634	\$ 45	\$ 1,323,978	\$ 16,958

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, 2011

	<u>Special Revenue Funds</u>		
	<u>Developer Impact Fees</u>	<u>Vandalism & Graffiti Reward</u>	<u>Total Special Revenue Funds</u>
REVENUES			
Taxes and tax increment			\$ 1,645,587
Assessments			2,859,744
Fines and forfeiture			121,634
Development fees	\$ 196,499		207,207
Intergovernmental			1,369,030
Use of money and property	25,999	\$ 148	78,039
Other		4,654	355,657
Total Revenues	<u>222,498</u>	<u>4,802</u>	<u>6,636,898</u>
EXPENDITURES			
Current:			
Public safety			2,636,640
Public works			1,043,509
Community development			412,375
Culture and leisure			670,524
Debt service:			
Principal			35,062
Interest			24,717
Capital outlay			540,049
Total Expenditures			<u>5,362,876</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>222,498</u>	<u>4,802</u>	<u>1,274,022</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			64,859
Transfers out	(74,527)		(1,334,158)
Total Other Financing Sources (Uses)	<u>(74,527)</u>		<u>(1,269,299)</u>
Net Change in Fund Balances	147,971	4,802	4,723
Fund Balances at Beginning of Year	3,087,828	13,619	6,385,162
Fund Balances at End of Year	<u>\$ 3,235,799</u>	<u>\$ 18,421</u>	<u>\$ 6,389,885</u>

CITY OF SAN JACINTO

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

FOR THE YEAR ENDED JUNE 30, 2011

	Capital Projects				
	TUMF Capital Projects	Underground Utility	Flood Control	Traffic Signalization	Highway 79 Capital Projects
REVENUES					
Taxes and tax increment					
Assessments					
Fines and forfeiture					
Development fees					
Intergovernmental	\$ 1,722,871		\$ 385,164		\$ 14,649
Use money and property		\$ 8,634	32,284	\$ 3,660	9,121
Other					
Total Revenues	1,722,871	8,634	417,448	3,660	23,770
EXPENDITURES					
Current:					
General government					
Public safety					
Public works			4,500		
Community development					
Culture and leisure					
Debt service:					
Principal					
Interest					
Capital outlay					
Total Expenditures			4,500		
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,722,871	8,634	412,948	3,660	23,770
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Total Other Financing Sources (Uses)	(1,340,128)		(402,520)	(24,269)	(362,087)
Net Change in Fund Balances	382,743	8,634	10,428	(20,609)	(338,317)
Fund Balances at Beginning of Year	(1,383,612)	946,436	3,515,316	407,424	1,054,698
Fund Balances at End of Year	\$ (1,000,869)	\$ 955,070	\$ 3,525,744	\$ 386,815	\$ 716,381

<u>Capital Projects</u>			
<u>Redevelopment Agency</u>	<u>Total Capital Projects Funds</u>	<u>Assessment District 87-1 Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 1,645,587
			2,859,744
			121,634
			207,207
	\$ 2,122,684		3,491,714
\$ 3,933	57,632		135,671
			355,657
<u>3,933</u>	<u>2,180,316</u>		<u>8,817,214</u>
		\$ 1,550	1,550
	4,500		2,636,640
972,681	972,681		1,048,009
			1,385,056
			670,524
			35,062
			24,717
			540,049
<u>972,681</u>	<u>977,181</u>	<u>1,550</u>	<u>6,341,607</u>
<u>(968,748)</u>	<u>1,203,135</u>	<u>(1,550)</u>	<u>2,475,607</u>
1,500,000	1,500,000		1,564,859
(1,429,155)	(3,558,159)		(4,892,317)
<u>70,845</u>	<u>(2,058,159)</u>		<u>(3,327,458)</u>
(897,903)	(855,024)	(1,550)	(851,851)
<u>1,194,207</u>	<u>5,734,469</u>	<u>(438,657)</u>	<u>11,680,974</u>
<u>\$ 296,304</u>	<u>\$ 4,879,445</u>	<u>\$ (440,207)</u>	<u>\$ 10,829,123</u>