

**CITY OF SAN JACINTO, CALIFORNIA
SB 621 GAMING IMPACT GRANTS FUND**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2012

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The Honorable City Council
City of San Jacinto, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the SB 621 Gaming Impact Grants Fund (Fund) of the City of San Jacinto, California (City), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the SB 621 Gaming Impact Grants Fund and do not purport to, and do not present fairly, the financial position of the City of San Jacinto, California, as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the SB 621 Gaming Impact Grants Fund of the City of San Jacinto, California, as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, 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 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.

Rogers Anderson Malochy & Scott, LLP

January 30, 2013

City of San Jacinto, California
SB 621 Gaming Impact Grants Fund
Balance Sheet
June 30, 2012

Assets	
Cash and investments	<u>\$ 302,655</u>
Total assets	<u><u>\$ 302,655</u></u>
 Liabilities and fund balance	
Liabilities	
Deferred revenue	<u>\$ 304,141</u>
Total liabilities	<u>304,141</u>
Fund balance (deficit)	
Unassigned	<u>(1,486)</u>
Total fund balance (deficit)	<u>(1,486)</u>
Total liabilities and fund balance	<u><u>\$ 302,655</u></u>

The accompanying notes are an integral part of these financial statements.

City of San Jacinto, California
SB 621 Gaming Impact Grants Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

Revenues	
Grant program revenue	\$ 510,468
Investment earnings	<u>3,984</u>
Total revenues	<u>514,452</u>
Expenditures	
Current:	
Administration	<u>3,316</u>
Total expenditures	<u>3,316</u>
Excess of revenues over expenditures	<u>511,136</u>
Other financing uses	
Transfers out	<u>(512,622)</u>
Total other financing uses	<u>(512,622)</u>
Net change in fund balance	(1,486)
Fund balance, beginning of year	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (1,486)</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 – Organization and summary of significant accounting policies

The City of San Jacinto was incorporated on April 20, 1888, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member City Council.

The following is a summary of the significant accounting policies of the City of San Jacinto as they pertain to the SB 621 Gaming Impact Grants Fund. Only the SB 621 Gaming Impact Grants Fund information is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of San Jacinto, California.

SB 621 Gaming Impact Grants Fund

In the fiscal year 2011-2012, the City of San Jacinto was awarded three grants with a term of agreement dated July 1, 2011 through June 30, 2012 from the Riverside County Local Community Benefit Committee (the Committee), in accordance with the provisions of Senate Bill 621 (SB 621) for the purpose of supporting local government agencies impacted by tribal government gaming. Under the terms of the agreement the City is required to submit an annual financial audit covering the fiscal year in which funds are received.

Under SB 621, the Committee is comprised of two representatives of the County selected by the County Board of Supervisors, three elected representatives from cities located within four miles of a tribal casino in the County, and two representatives selected upon the recommendations of a majority of tribes paying into the Indian Gaming Special Distribution Fund. The Committee is responsible for the selection of grant projects and submission of a list of approved projects to the State Controller in accordance with the provisions of SB 621. In addition, SB 621 requires the grant program be administered through the County of Riverside, which is entitled to an administrative fee up to a maximum of two percent (2%) of the awarded funds.

Basis of accounting

These fund financial statements are reported using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized 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 (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.

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.

City of San Jacinto, California
SB 621 Gaming Impact Grants Fund
Notes to the Financial Statements
June 30, 2012

Note 2 – Cash and investments

Cash at June 30, 2012, consisted of the following:

	<u>Amount</u>
Pooled cash and investments	<u>\$ 302,655</u>

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

For more information on the City's cash and investments as of June 30, 2012, please see the City of San Jacinto's audited financial statements.

Note 3 – Grant expenditures and transfers out

Current year balances are composed of grant funds received in advance for the period of July 1, 2011 through June 30, 2012, and amounts received in advance for these fiscal years were sponsored by the Soboba Band of Luiseno Indians and were comprised of the following:

	<u>2011-2012 Grants</u>
Grant balance as of July 1, 2011	\$ 538,986
Amounts received during 2011-2012	<u>275,623</u>
Total resources available	<u>814,609</u>
Total transfers out:	
Transfers out to City of San Jacinto's General Fund	(262,622)
Transfers out to City of San Jacinto's Measure A Fund	<u>(250,000)</u>
Total transfers out	<u>(512,622)</u>
Grant balance as of June 30, 2012	<u>\$ 301,987</u>

Current year expenditures made from investment earnings were expended as follows:

Administration	<u>\$ 3,316</u>
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Note 3 – Grant expenditures and transfers out (continued)

Under the terms of SB 621 and the grant agreements, the awards are to be used to mitigate expenditures for road improvements, and contract services including firefighter-paramedic services, required as a result of the impact on the community from the tribal gaming facilities. The City of San Jacinto, California, did not incur any expenditure for capital outlay in the fiscal year 2011-2012.



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

We have audited the financial statements of the SB 621 Gaming Impact Grants Fund (Fund) of the City of San Jacinto, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. The financial statements present only the SB 621 Gaming Impact Grants Fund and do not purport to, and do not, present fairly the financial position of the City of San Jacinto, California. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rogers Anderson Maloney & Scott, LLP

January 30, 2013