

**REDEVELOPMENT AGENCY  
OF THE CITY OF SAN JACINTO**  
(A Component Unit of the City of San Jacinto)

**ANNUAL FINANCIAL REPORT**

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

**REDEVELOPMENT AGENCY  
OF THE CITY OF SAN JACINTO  
ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENTS' DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	10
Statement of Activities	11
<b>Fund Financial Statements</b>	
Balance Sheet-Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
<b>Notes to Financial Statements</b>	18
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule: Special Revenue	36
<b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule: Debt Service	37
Capital Projects	38
Non-Major Governmental Funds – Combining Balance Sheet	39
Non-Major Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balance	40
Computation of Low/Moderate Housing Fund Excess Surplus	41
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	42
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON CALIFORNIA REDEVELOPMENT AGENCIES, AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>GUIDELINES FOR COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES AS INTERPRETED IN THE SUGGESTED AUDITING PROCEDURES FOR ACCOMPLISHING COMPLIANCE OF CALIFORNIA REDEVELOPMENT AGENCIES</i></b>	44
Schedule of Findings and Responses	46
Summary Schedule of Prior Year Audit Findings	47



## INDEPENDENT AUDITORS' REPORT

Governing Board  
San Jacinto Redevelopment Agency  
San Jacinto, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of San Jacinto (the Agency), a component unit of the City of San Jacinto, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency'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 Agency'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, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of San Jacinto as of June 30, 2011, and the respective changes in financial position 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 Agency adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

As described in Note 11 and 14, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies, or continuance of redevelopment agencies, under new laws in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the legislation by outside parties.

As described in Note 12, the Agency transferred land held for resale to the City of San Jacinto. In addition, as described in Note 13, the Agency adopted a single merged, amended, and restated redevelopment plan to cover the merged project area.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of the Agency'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 budgetary comparison information on pages 3 through 9, and 36, respectively, 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 Agency's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Vawter, Tami, Day, Co., LLP*

Rancho Cucamonga, California  
December 23, 2011

# **REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

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

**JUNE 30, 2011**

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

### **PURPOSE OF THE AGENCY**

The Agency was formed to eliminate urban blight in the City of San Jacinto. The Agency is a component unit of the City and shares governing boards and staff members. The Agency cannot assess property taxes but receives incremental increases in property taxes over base year amounts set at the time the property areas were transferred to the Agency. One-fifth of this tax increment must be used for low and moderate-income housing assistance. The Agency shares a portion of the tax increment with other government entities under pass-through agreements. The Agency has limited powers to condemn property.

### **FINANCIAL HIGHLIGHTS**

- On the economic resources measurement (government-wide) focus the Agency's total net assets were in surplus position of \$446,734 and on the current financial resources measurement (fund financial statements) focus the Agency's fund balances were in surplus position of \$6,281,083 at the end of the year. The \$5,834,349 difference on the government-wide basis derives from the fact that the Agency produces no capital assets yet reduces net assets for current and future indebtedness under bond agreements whereas under the fund financial statements basis proceeds from debt offerings are considered other financing sources and are included as available for spending in fund balances.
- On the economic resources measurement (government-wide) focus the Agency reported expenses in excess of revenues of \$1,839,418 and on the current financial resources measurement (fund financial statement) focus reported expenditures in excess of revenues and other financing sources and uses of \$2,111,378 for the year. The difference derives from the fact that payments to retire bond indebtedness reduce liabilities on the full accrual basis; whereas payments to retire bond indebtedness are considered expenditures and decrease fund balances under the modified accrual basis. In addition, the issuance of new debt increases liabilities on the government wide basis whereas the issuance of new debt is considered an other financing source and increases fund balances under the fund financial statement basis.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this portion), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Agency.

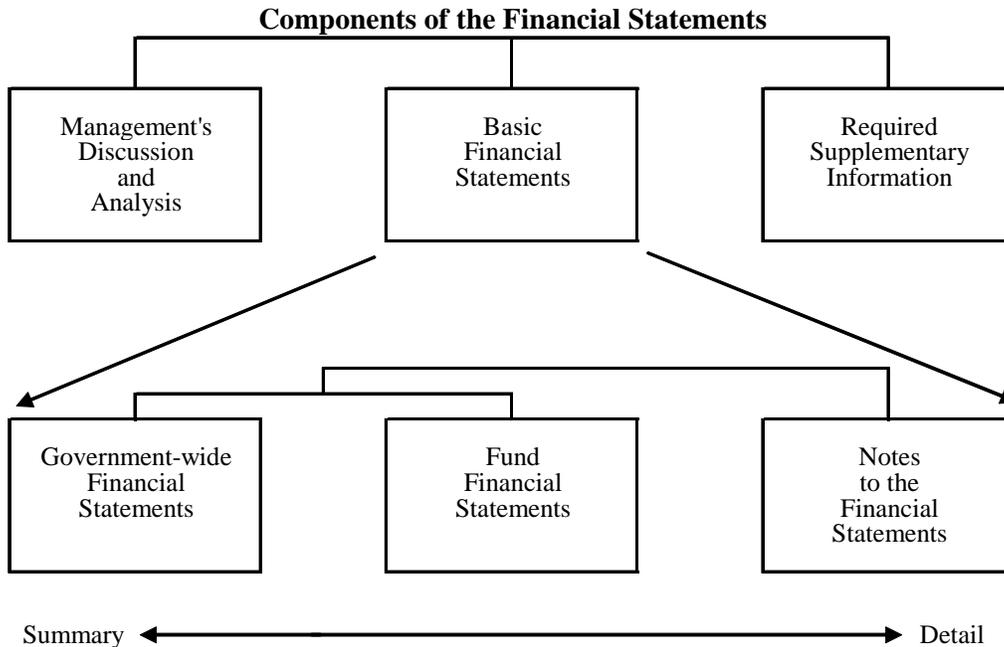
- The government-wide financial statements provide both long-term and short-term information about the Agency's overall financial status, in a manner similar to private sector business.
- Fund financial statements focus on individual parts of the Agency, reporting the Agency's operations in more detail than the government-wide financial statements.

The 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.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**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 major special revenue fund, which is required supplementary information.

**Government-wide Financial Statements**

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

The government-wide financial statements consist of governmental activities in the area of community development and pass-through agreements.

**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 Agency’s largest funds, not the Agency as a whole.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The Agency has one type of fund:

- *Governmental funds* – All of the Agency'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.

## FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

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

### Redevelopment Agency of the City of San Jacinto Government-wide Financial Statements - Summary of Net Assets

As of June 30, 2011 and 2010

(in thousands)

	2011	2010	Percent Change
Cash and investments	\$ 7,057	\$ 8,466	(16.6)%
Land held for resale	340	874	(61.1)%
Other assets	2,916	3,769	(22.6)%
Total current and other assets	10,313	13,109	(21.3)%
Long-term liabilities	8,446	8,655	(2.4)%
Other liabilities	1,420	2,168	(34.5)%
Total liabilities	9,866	10,823	(8.8)%
Net Assets:			
Restricted	1,841	8,392	(78.1)%
Unrestricted	(1,394)	(6,106)	77.2%
Total net assets	\$ 447	\$ 2,286	(80.4)%

Net assets represent the difference between the Agency's resources and its obligations. Restricted net assets represent amounts that must be used in accordance with external restriction. The unrestricted balance of net assets is in deficit position at June 30, 2010.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**Redevelopment Agency of the City of San Jacinto  
Government-wide Financial Statements - Changes in Net Assets  
For the Year Ended June 30, 2011 and 2010  
(in thousands)**

	2011	2010	Percent Change
<b>Revenues</b>			
General Revenues:			
Redevelopment tax increment	\$ 4,816	\$ 5,311	(9.3)%
Investment earnings	126	92	36.9%
Other	-	11	(100.0)%
Total revenues	<u>4,942</u>	<u>5,414</u>	(8.7)%
<b>Expenses</b>			
Governmental activities:			
Community development	2,141	3,710	(42.3)%
Pass-through agreements	1,685	1,835	(8.2)%
Interest on long-term debt	409	462	(11.5)%
Total expenses	<u>4,235</u>	<u>6,007</u>	(29.5)%
Increase(decrease)in net assets, before transfers	707	(593)	(219.2)%
Transfers, net	<u>(2,546)</u>	<u>(1,491)</u>	70.8%
Increase(decrease) in net assets	<u>\$ (1,839)</u>	<u>\$ (2,084)</u>	(11.8)%

**Revenues**

The Agency’s total revenues from governmental activities were \$4,941,745 for the year. Redevelopment tax increment comprised 97.4 percent of the total revenue of the Agency.

**Expenses**

The activities of the Agency include community development and pass-through agreements on the government-wide financial statements. Overall expenses of the Agency for the year totaled \$4,234,997. Expenses specific to actual community development activity totaled \$2,141,369 or 50.6 percent of total expenses of the Agency. Payments on pass-through agreements totaled \$1,684,761 or 39.8 percent of total expenses, interest on long-term debt totaled \$408,867 or 9.7 percent of total expenses.

**Transfers**

Transfers In and Out are shown here combined. Transfers to the City of San Jacinto for the year totaled \$2,546,166, \$1,884,914 of which were actual program expenditures (such as housing rehab) recorded in the City’s CIP fund, and \$661,252 of which were property transfers.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

The Agency’s governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The Agency’s governmental funds reported combined fund balances at June 30, 2011 of \$6,281,083.

**Redevelopment Agency of the City of San Jacinto  
Fund Financial Statements - Fund Balances**

As of June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
Nonspendable:			
Loans receivable	-	-	
Advances receivable	144,128	320,159	-55.0%
Land held for resale	46,948	708,200	-93.4%
Total Nonspendable	<u>191,076</u>	<u>1,028,359</u>	-81.4%
Restricted:			
Cash and investments with fiscal agent	126,174	126,170	0.0%
Land held for resale	292,859	166,000	76.4%
Low-mod	926,400	1,904,740	-51.4%
Soboba Speical Revenue	622,012	772,417	-19.5%
Total Restricted	<u>1,967,445</u>	<u>2,969,327</u>	-33.7%
Assigned:			
San Jacinto Debt Service	3,710,218	4,218,077	-12.0%
Soboba Debt Service	433,288	303,020	43.0%
Soboba Capital Projects	87,885	87,091	0.9%
Total Assigned	<u>4,231,391</u>	<u>4,608,188</u>	-8.2%
Unassigned:			
San Jacinto Capital Projects	(108,829)	(47,413)	129.5%
Total Unassigned	<u>(108,829)</u>	<u>(47,413)</u>	129.5%
Total Fund Balance	<u><u>6,281,083</u></u>	<u><u>8,558,461</u></u>	-26.6%

The above is presented in accordance with GASB 54, including the 2010 amounts which were presented a different way last year. More information on this presentation can be found in Notes 1 and 4 to the financial statements.

# REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

### Major Special Revenue Fund Budgetary Highlights

Over the course of the year, the Agency revised the Agency budget with adjustments which fall into the following two categories:

- Changes made in the midyear report to adjust revenues, augment current year expenditure appropriations, adjust expenditure appropriations for prior year department carryover, and establish or increase designations of fund balance.
- Other revenue adjustments and expenditure appropriations approved after the original budget is adopted, and before or after the midyear report is approved.

Capital project appropriations originally budgeted in fiscal year 2010 were re-appropriated in 2011 as part of the Agency's capital budget.

After taking into account these adjustments:

San Jacinto Special Revenue Fund – actual expenditures were \$73,566 below the final budget amounts, primarily due to less professional services incurred. The resources available for appropriation in this fund were \$68,035 below the final budgeted amount, due to lower than anticipated redevelopment tax increment revenue. The transfers out of this fund were \$1,139,769 below the final budgeted amount, due to capital projects and ongoing programs not being fully completed.

San Jacinto Debt Service Fund – actual expenditures were \$326,030 below the final budget amounts, due to less pass-through agreement payments (based on tax increment) and less of an allocation of SERAF payment to this fund (with the remainder paid by the Soboba Springs Debt Service Fund). The resources available for appropriation in this fund were \$269,296 below the final budgeted amount, also due to lower than anticipated redevelopment tax increment revenue.

San Jacinto Capital Projects Fund – actual expenditures were \$1,429,878 below the final budget amounts, primarily due to less professional services incurred. The transfers out of this fund were \$4,170,366 below the final budgeted amount, due to capital projects and ongoing programs not being fully completed.

### Long-term Debt

At June 30, 2011, the Agency had \$8,445,821 in long-term debt outstanding. More detailed information about the Agency's total long-term liabilities is presented in Note 6 to the financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**Redevelopment Agency of the City of San Jacinto  
Long-term Debt Outstanding**  
As of June 30, 2011 and 2010  
(in thousands)

	2011	2010	Percent Change
Tax allocation bonds	\$ 8,445	\$ 8,655	(2.4)%
Deferred charges	(22)	(24)	(8.3)%
Loan from EMWD	23	24	(4.2)%
Total	<u>\$ 8,446</u>	<u>\$ 8,655</u>	(2.4)%

The Agency’s 2005 Tax Allocation Bonds were insured and were rated A- by Standard & Poors upon issuance.

**ECONOMIC FACTORS**

Like most regions, after years of rapid growth, the Agency’s project areas are showing the effects of the economic downturn. Property tax increment revenues are expected to remain relatively flat or decrease.

The State of California budget crisis has resulted in a continued assault on redevelopment agencies. FY 2010-11 was the second year of the Supplemental Educational Revenue Augmentation Fund (SERAF) payment. The SERAF payments are the subject of a lawsuit against the State brought by the California Redevelopment Association, which is currently being appealed. The State Legislature also passed Assembly Bill X1 26 and 27, which calls for the elimination of redevelopment agencies or an annual payment to continue existence. These Bills are also the subject of a lawsuit against the State brought by the California Redevelopment Association. More detailed information about these developments is presented in Note 11 to the financial statements.

**CONTACTING THE AGENCY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency’s finances, and to demonstrate the Agency’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Redevelopment Agency of the City of San Jacinto, Department of Finance, Accounting Division, PO Box 488, San Jacinto, California 92581, or visit the Agency’s web page at [www.ci.san-jacinto.ca.us](http://www.ci.san-jacinto.ca.us).

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 5,895,055
Cash and investments with fiscal agent	1,161,586
Receivables:	
Interest	59,621
Loans	2,346,546
Due from other governments	166
Deferred charges	365,777
Advances to the City of San Jacinto	144,128
Land held for resale	<u>339,807</u>
Total Assets	<u>10,312,686</u>
<b>LIABILITIES</b>	
Accounts payable	89,299
Accrued wages	14,353
Accrued interest payable	160,472
Due to other governments	1,156,007
Noncurrent liabilities:	
Due within one year	216,270
Due in more than one year	<u>8,229,551</u>
Total Liabilities	<u>9,865,952</u>
<b>NET ASSETS</b>	
Restricted for:	
Community development	1,841,271
Unrestricted	<u>(1,394,537)</u>
Total Net Assets	<u>\$ 446,734</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
Governmental activities:	
Community development	\$ 2,141,369
Pass-through agreements	1,684,761
Interest on long-term debt	<u>408,867</u>
Total Program Expenses	<u>4,234,997</u>
<b>GENERAL REVENUES</b>	
Taxes:	
Incremental property taxes	4,815,577
Investment earnings	126,168
Transfers to the City of San Jacinto	<u>(2,546,166)</u>
Total General Revenues	<u>2,395,579</u>
Change in Net Assets	(1,839,418)
Net Assets, Beginning of Year	<u>2,286,152</u>
Net Assets, End of Year	<u><u>\$ 446,734</u></u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2011**

	<u>San Jacinto Special Revenue</u>	<u>San Jacinto Debt Service</u>	<u>San Jacinto Capital Projects</u>
<b>ASSETS</b>			
Cash and investments		\$ 4,719,709	
Cash and investments with fiscal agent	\$ 1,035,412	2	\$ 126,172
Receivables, net:			
Interest	59,621		
Loans	2,300,000		46,546
Due from other governments	38	128	
Due from other funds		114,227	
Advances receivable			144,128
Land held for resale	292,859		46,948
Total Assets	<u>\$ 3,687,930</u>	<u>\$ 4,834,066</u>	<u>\$ 363,794</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 76		\$ 89,223
Accrued wages	3,396		10,957
Due to other governments		\$ 1,123,846	
Due to other funds	105,578		8,649
Deferred revenue	2,359,621		46,546
Total Liabilities	<u>2,468,671</u>	<u>1,123,846</u>	<u>155,375</u>
Fund Balances:			
Nonspendable			191,076
Restricted	1,219,259	2	126,172
Assigned		3,710,218	
Unassigned	-		(108,829)
Total Fund Balances	<u>1,219,259</u>	<u>3,710,220</u>	<u>208,419</u>
Total Liabilities and Fund Balances	<u>\$ 3,687,930</u>	<u>\$ 4,834,066</u>	<u>\$ 363,794</u>

See accompanying notes to financial statements.

<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,175,346	\$ 5,895,055
	1,161,586
	59,621
	2,346,546
	166
	114,227
	144,128
	339,807
<u>\$ 1,175,346</u>	<u>\$ 10,061,136</u>

	\$ 89,299
	14,353
\$ 32,161	1,156,007
	114,227
	<u>2,406,167</u>
<u>32,161</u>	<u>3,780,053</u>

	191,076
622,012	1,967,445
521,173	4,231,391
	<u>(108,829)</u>
<u>1,143,185</u>	<u>6,281,083</u>
<u>\$ 1,175,346</u>	<u>\$ 10,061,136</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

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

**JUNE 30, 2011**

Fund Balances of Governmental Funds	\$	6,281,083
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Long-term notes and the related interest receivable are not current available resources and, therefore, are deferred in the governmental funds.		2,406,167
Bond issuance costs are recognized in the governmental funds during the year in which the bonds are issued. These costs are deferred and amortized over the life of the bonds in the government-wide statements.		365,777
Long term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds payable		(8,445,000)
Other long-term debt		(22,861)
Deferred loss on refunding		22,040
Accrued interest payable		(160,472)
Net Assets of Governmental Activities	\$	<u>446,734</u>

See accompanying notes to financial statements.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

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

**YEAR ENDED JUNE 30, 2011**

	San Jacinto Special Revenue	San Jacinto Debt Service	San Jacinto Capital Projects
<b>REVENUES</b>			
Tax increment	\$ 892,853	\$ 3,571,412	
Use of money and property	1,522	35,942	\$ 3,139
Total Revenues	<u>894,375</u>	<u>3,607,354</u>	<u>3,139</u>
<b>EXPENDITURES</b>			
Current:			
Community development	286,272	466,939	972,681
Intergovernmental			
Pass-through agreement payments		1,652,335	
ERAF payment		314,756	
Debt service:			
Principal	145,026	66,244	
Interest	256,547	114,937	
Total Expenditures	<u>687,845</u>	<u>2,615,211</u>	<u>972,681</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,530	992,143	(969,542)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to the City of San Jacinto Capital Projects Fund	(892,011)		(1,429,155)
Transfer in			1,500,000
Transfers out		(1,500,000)	
Total Other Financing Sources (Uses)	<u>(892,011)</u>	<u>(1,500,000)</u>	<u>70,845</u>
Net Change in Fund Balances	(685,481)	(507,857)	(898,697)
Fund Balances at Beginning of Year	<u>1,904,740</u>	<u>4,218,077</u>	<u>1,107,116</u>
Fund Balances at End of Year	<u>\$ 1,219,259</u>	<u>\$ 3,710,220</u>	<u>\$ 208,419</u>

See accompanying notes to financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 351,312	\$ 4,815,577
15,700	56,303
<u>367,012</u>	<u>4,871,880</u>
26,889	1,752,781
32,426	1,684,761
73,832	388,588
28,208	211,270
<u>161,355</u>	<u>399,692</u>
205,657	434,788
(225,000)	(2,546,166)
<u>(225,000)</u>	1,500,000
(19,343)	<u>(1,500,000)</u>
1,162,528	(2,546,166)
<u>\$ 1,143,185</u>	<u>(2,111,378)</u>
<u>\$ 1,143,185</u>	<u>8,392,461</u>
<u>\$ 1,143,185</u>	<u>\$ 6,281,083</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

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

**YEAR ENDED JUNE 30, 2011**

Net change in fund balances of governmental funds \$ (2,111,378)

Amounts are reported for governmental activities in the statement of activities are different because:

The changes in interest receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term interest receivable. 69,865

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current resources financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal payments on debt 211,270

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 governmental funds.

Change in accrued interest expense 5,192  
Amortization of bond issuance costs (12,604)  
Amortization of deferred charge on refunding (1,763)

Change in net assets of governmental activities \$ (1,839,418)

See accompanying notes to financial statements.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### Description of the Reporting Entity

The San Jacinto Redevelopment Agency (the Agency) is a component unit of the City of San Jacinto (City). Determination of a component unit is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and ability to significantly influence operations.

These financial statements contain only information relative to the Redevelopment Agency of the City of San Jacinto. The Agency is a blended component unit of the City and accordingly, its funds are blended in the basic financial statements of the City.

The Agency was established on May 4, 1982 by the City Council of the City of San Jacinto (the City). The general objective of the Redevelopment Plan adopted by the Agency is to encourage investment in the Redevelopment Project Area by the private sector. The Redevelopment Plan provides for the demolition of buildings and improvements, the relocation of any displaced occupants, and the construction of streets, parking facilities, utilities and other public improvements. The Redevelopment Plan also includes the ability to redevelop land by private enterprise or public agencies, the rehabilitation of structures, the rehabilitation or construction of single family and low and moderate income housing, and participation by owners and tenants of properties in the Redevelopment Project.

#### Redevelopment Project Area

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 had an amendment 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 12 for additional details.

#### Government-wide and fund financial statements

The government-wide financial statements include a statement of net assets and the statement of changes in net assets which report information on all of the nonfiduciary activities of the Agency. The effect of Agency interfund activity has been removed from these statements. Governmental activities are normally supported by tax increment and investment earnings.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

#### Government-wide and fund financial statements, (Continued)

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, if any, 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Tax increment and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The San Jacinto Special Revenue Fund is used to account for the proceeds of specific revenue sources and low and moderate income housing activity that are restricted by law or administrative action to expenditures for low and moderate income housing activity.

The San Jacinto Debt Service Fund is used to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

The San Jacinto Capital Projects Fund is used to account for the financial resources segregated for the acquisition of major capital facilities.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

#### Fair value of investments

GASB No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the Agency reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized, as revenue in the operating statement.

#### Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are shown as nonspendable in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### Land held for resale

The Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop blighted properties. The Agency records these parcels as land held for resale in its financial records. The property is being carried at the lower of cost or market. At June 30, 2011, the land held for resale balance is restricted in the special revenue fund (the low and moderate income housing fund) as the proceeds from the sale of the parcels (if any) would be restricted. Land held for resale is classified as nonspendable in the San Jacinto Capital Projects fund balance as these balances are not available for spending.

#### Loans receivable

The loans receivable are loans made to a developer for a low and moderate income housing project and a business as part of an incentive program. These loans are offset by deferred revenue in the fund statements which indicates that they do not constitute available spendable resources. The related interest receivable has also been deferred.

#### 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.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

#### Property tax calendar

The County of Riverside collects property taxes for the Agency. Tax liens attach annually on the first day in March proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st; the second installment is due February 1st. All taxes are delinquent, if unpaid, on December 10th and April 10th respectively. Unsecured personal property taxes become due on the first of January each year and are delinquent, if unpaid, on August 31st. For governmental funds, Agency 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.

#### Tax increment revenue

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within project areas. The taxable valuation of project areas prior to adoption of the redevelopment plans, or base rolls, is established. Then except for any period during which the taxable valuation drops below the base roll level, the taxing agencies thereafter receive only the taxes produced by the levy of the then current tax rate upon the base roll. Tax revenues collected upon and increase in taxable valuation over the base roll (“tax increment”) are allocated to the Agency and may be pledged by the Agency for the repayment of any indebtedness incurred in financing or refinancing redevelopment projects. The Agency has no authority to levy property taxes.

#### Fund balance

As the Agency is a component unit of the City of San Jacinto, the City’s GASB 54 policy therefore applies to the Agency’s Fund Balance classifications. Fund Balance is classified in accordance with GASB issued 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 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 are constrained to specific purposes by a formal action of the Agency Board such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Agency Board. Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- *Assigned* – the lowest level of constraint for Special Revenue, Capital Project, and Debt Service Fund types.
- *Unassigned* – Within the Agency’s other governmental funds, any negative residual resources are classified as unassigned.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

#### Fund balance. (Continued)

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

The Finance Director has the authority to assign unrestricted fund balance amounts where the Agency'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.

#### General budget policies

The Board approves each year's budget submitted by the Director prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Board. Supplemental appropriations, where required during the period, are also approved by the Board. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end all operating budget appropriations lapse. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the San Jacinto Special Revenue Fund has been presented in these financial statements; however, not for the San Jacinto Capital Projects Fund as these funds budget by individual project.

#### New GASB pronouncements

The following lists recent GASB pronouncements implemented in FY 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 implemented 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.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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

New GASB pronouncements, (Continued)

The following summarizes recent GASB pronouncements and their impact, if any, on future 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 Agency 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 Agency has not determined the effect on the financial statements.

**GASB Statement No. 64** – In June 2011, GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This statement provides guidance on the continuation of effective hedging relationships upon entering into swap agreements. This statement is effective as of July 1, 2011. The Agency has not determined the effect on the financial statements.

*NOTE #2 – CASH AND INVESTMENTS*

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 5,895,055
Cash and investments with fiscal agent	<u>1,161,586</u>
Total Cash and Investments	<u><u>\$ 7,056,641</u></u>

Cash and investments as of June 30, 2011 consist of the following:

Pooled cash with the City of San Jacinto	\$ 5,895,055
Investments held by bond trustee	<u>1,161,586</u>
Total Cash and Investments	<u><u>\$ 7,056,641</u></u>

The Agency follows the practice of pooling cash and investments with the City for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Detailed information concerning the City’s pooled cash and investments can be found in the City’s Annual Financial Report for the year ended June 30, 2011.

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.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

*NOTE #2 – CASH AND INVESTMENTS, (Continued)*

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

Currently, the Agency follows the City of San Jacinto's investment policy. The table below identifies the investment types that are authorized by the investment policy. The table also identifies certain provisions of the 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 trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 year	10%	None
Repurchase Agreements	1 year	10%	None
Medium-Term Notes	5 years	20%	None
Money Market Funds	N/A	20%	None
Mutual Funds	N/A	18%	None
Time Deposits	N/A	30%	None
Local Agency Investment Fund	N/A	90%	None
California Asset Management Program	N/A	50%	None

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**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 Agency's investment policy, govern investment of debt proceeds held by bond trustee. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Funds	N/A	None	None
Investment Agreements	N/A	None	None
Certificates of Deposit, Savings Accounts	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.

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

INVESTMENT TYPE	Remaining Maturity 12 Months Or Less
Held by bond Trustee	
Money Market Funds	\$ 1,161,586
Total	\$ 1,161,586

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

*NOTE #2 – CASH AND INVESTMENTS, (Continued)*

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2011</u>
Held by bond Trustee			
Money Market Funds	<u>\$ 1,161,586</u>	AAA	AAA
Total	<u><u>\$ 1,161,586</u></u>		

Concentration of credit risk

The investment policy of the Agency contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. The Agency does not have any investments in anyone issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of total Agency investments.

Custodial credit risk

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

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

*NOTE #3 – LOANS RECEIVABLE*

Loans Receivable

In 2006-2007 and in 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.

Balance  
Outstanding at  
June 30, 2011

---

\$ 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.

46,546

---

2,346,546

59,621

---

\$ 2,406,167

---

Loans Total

Accrued interest on note receivable

Loans Receivable Total

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

*NOTE #4 - FUND BALANCE*

The Agency’s governmental fund balances at June 30, 2011 are presented below:

	San Jacinto <u>Special Revenue</u>	San Jacinto <u>Debt Service</u>	San Jacinto <u>Capital Projects</u>	Non-Major <u>Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Advances receivable			\$ 144,128		\$ 144,128
Land held for resale			46,948		46,948
Total Nonspendable			<u>191,076</u>		<u>191,076</u>
Restricted:					
Cash and investments with fiscal agent		\$ 2	126,172		126,174
Land held for resale	\$ 292,859				292,859
Low-Mod	926,400				926,400
Soboba Special Revenue				\$ 622,012	622,012
Total Restricted	<u>1,219,259</u>	<u>2</u>	<u>126,172</u>	<u>622,012</u>	<u>1,967,445</u>
Assigned:					
San Jacinto Debt Service		3,710,218			3,710,218
Soboba Debt Service				433,288	433,288
Soboba Capital Projects				87,885	87,885
Total Assigned		<u>3,710,218</u>		<u>521,173</u>	<u>4,231,391</u>
Unassigned:					
San Jacinto Capital Projects			(108,829)		(108,829)
Total Unassigned			<u>(108,829)</u>		<u>(108,829)</u>
Total Fund Balance	<u>\$ 1,219,259</u>	<u>\$ 3,710,220</u>	<u>\$ 208,419</u>	<u>\$ 1,143,185</u>	<u>\$ 6,281,083</u>

*NOTE #5 – NOTES RECEIVABLE/GRANTS*

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 required. At the end of the term of 45 years, the loans are forgiven unless the following occurs during the grant term: 1) property is sold or transferred or 2) property is no longer owner-occupied, at which time full repayment would be required. The purpose of the grants is to provide low-moderate income households with home ownership assistance with no intent of recovering the grant, and thus the grants are not recognized as long-term receivables in the Statement of Net Assets. The balance of those loans at June 30, 2011 was \$1,315,639.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE #6 – LONG-TERM DEBT

#### A. Bonds Payable

A description of individual issues of bonds outstanding during the fiscal year ending June 30, 2011 is as follows:

##### San Jacinto Redevelopment Agency 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 certain pledged tax increment revenues allocated to the Agency. The outstanding principal balance at June 30, 2011 was \$8,445,000.

The Agency has pledged a portion of future tax increment revenues to repay the 2005 \$9.4M 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 \$8,445,000. For the current year, principal and interest paid was \$601,483 for the 2005 Tax Allocation Bonds, and total pledged increment tax revenues received by the Agency totaled \$3,852,484.

#### B. Loans From City and Others

##### Eastern Municipal Water District (EMWD) - San Jacinto Project

Pursuant to a pass-through agreement dated September 20, 1983, the Agency is required to pay Eastern Municipal Water District (over the course of forty years) 80 percent of the tax increment received by the San Jacinto Project 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 outstanding under the agreement at June 30, 2011 was \$22,861. In addition, \$258,631 was recorded as current pass-through payable to EMWD in the San Jacinto Project Debt Service Fund as due to other governments on the statement of net assets.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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

C. The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2011:

	Balances at June 30, 2010	Additions	Retirements	Balances at June 30, 2011	Amount Due Within One Year	Amount Due in More than One Year
San Jacinto Project Area:						
Tax Allocation Bonds, Issue of 2005	\$ 8,655,000		\$ (210,000)	\$ 8,445,000	\$ 215,000	\$ 8,230,000
Less deferred loss on Refunding	(23,803)		1,763	(22,040)		(22,040)
Total	8,631,197		(208,237)	8,422,960	215,000	8,207,960
Loan from EMWD	24,131		(1,270)	22,861	1,270	21,591
Total San Jacinto Project Area	8,655,328		(209,507)	8,445,821	216,270	8,229,551

D. The following schedule illustrates the debt service requirements to maturity for bonds and pass-through payables outstanding as of June 30, 2011:

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
2031-2035	2,090,000	197,730
Total	\$ 8,445,000	\$ 5,357,958

Ending June 30,	EMWD Loan	
	Principal	Interest
2012	\$ 1,270	
2013	1,270	
2014	1,270	
2015	1,270	
2016	1,270	
2017-2021	6,350	
2022-2026	6,350	
2026-2029	3,811	
	\$ 22,861	\$ -

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

*NOTE #7 – PASS-THROUGH PAYABLES*

The Agency is subject to and a party to several agreements. At June 30, 2011, the Agency’s total pass-through liabilities, per various agreements, totaled \$1,156,007, and is recorded as due to other governments.

*NOTE #8 – TRANSFERS IN AND OUT*

	Transfers-Out				Totals
	RDA San Jacinto Special Revenue	RDA San Jacinto Capital Projects	RDA San Jacinto Debt Service	RDA Non-major Governmental Fund	
Transfers-In					
Capital project transfers to the City of San Jacinto	\$ 892,011	\$ 767,903		\$ 225,000	\$1,884,914 (a)
Property transfers to the City of San Jacinto		661,252			661,252 (b)
San Jacinto Capital Projects Fund (RDA)			\$ 1,500,000		1,500,000 (a)
Total	\$ 892,011	\$ 1,429,155	\$ 1,500,000	\$ 225,000	\$4,046,166

- (a) Transfers between the Redevelopment funds to the City of San Jacinto and RDA San Jacinto Capital Projects funds represent funds moved for various budgeted projects.
- (b) Transfers between the RDA San Jacinto Capital Projects Fund and the City of San Jacinto General fund represent land held for resale which was transferred to the City of San Jacinto. See NOTE #12.

*NOTE #9 – INTERFUND RECEIVABLES/PAYABLES*

Short-term Intergovernmental (Interfund):

Payable Fund	Receivable Fund
	San Jacinto
	Debt Service
	Fund
	(RDA)
San Jacinto Special Revenue	\$ 105,578
San Jacinto Capital Projects Fund	8,649
Total	\$ 114,227

This amount represents short-term borrowings to cover negative cash.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### *NOTE #10 – ADVANCES RECEIVABLE/PAYABLE – WITH THE CITY OF SAN JACINTO*

#### Advances Receivable:

The City of San Jacinto CFD 87-1 Debt Service Fund owes the Agency's San Jacinto Capital Projects Fund \$144,128. During FY 1994-1995 this amount was used to cover the debt service requirements for Assessment District 87-1; Assessment District 87-1 has been in default since this time. For additional details see the City of San Jacinto Basic Financial Statements.

#### Advances Payable:

The Agency's Soboba Debt Service Fund owed the City of San Jacinto General Fund \$672,000 for a long term advance, including interest for Agency operations. The advance was repaid in the fiscal year June 30, 2011.

### *NOTE #11 – CONTINGENT LIABILITIES*

#### 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 2009-2010. 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. The Agency's share of this revenue shift is approximately \$388,219 in fiscal year in 2010-2011. Payments are to be made by May 10 of each respective fiscal year and are being accounted for by the Agency in the general government function of the Redevelopment Capital Projects Fund.

#### 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.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### *NOTE #11 – CONTINGENT LIABILITIES, (Continued)*

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

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 #12 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.

### *NOTE #12 – 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 Agency Board approved the following properties to be 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. The transfer of these properties took place June 30, 2011. 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 a carrying value.

## REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

#### *NOTE #13 – 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 #14 – SUBSEQUENT EVENTS/COMMITMENTS*

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 X1 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.

# REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### *NOTE #14 – SUBSEQUENT EVENTS/COMMITMENTS, (Continued)*

Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% 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 ABX1 26.

Management believes that the 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 are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X126 and/or 27 are specifically found by the courts to be unconstitutional, there is possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

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 X1 26 and 27. This action was filed with the Sacramento Superior Court.

The nature and extent of the operation of redevelopment agencies in the State of California beyond the time of the initial stay, the second stay by the California Supreme Court and the litigation filed by the City of Cerritos and its Agency is unclear and it appears that the operation and future viability of redevelopment agencies in California are dependent upon the outcome of these lawsuits.

### 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.

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SAN JACINTO SPECIAL REVENUE**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Tax increment	\$ 957,910	\$ 957,910	\$ 892,853	\$ (65,057)
Use of money and property	4,500	4,500	1,522	(2,978)
Total Revenues	<u>962,410</u>	<u>962,410</u>	<u>894,375</u>	<u>(68,035)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	359,838	359,838	286,272	73,566
Debt service:				
Principal	145,026	145,026	145,026	-
Interest	256,547	256,547	256,547	-
Total Expenditures	<u>761,411</u>	<u>761,411</u>	<u>687,845</u>	<u>73,566</u>
Excess of Revenues Over (Under) Expenditures	200,999	200,999	206,530	5,531
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to the City of San Jacinto Capital Projects Fund	<u>(2,094,145)</u>	<u>(2,031,780)</u>	<u>(892,011)</u>	<u>1,139,769</u>
Net Changes in Fund Balances	(1,893,146)	(1,830,781)	(685,481)	1,145,300
Fund Balances at Beginning of Year	<u>1,904,740</u>	<u>1,904,740</u>	<u>1,904,740</u>	
Fund Balances at End of Year	<u>\$ 11,594</u>	<u>\$ 73,959</u>	<u>\$ 1,219,259</u>	<u>\$ 1,145,300</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SAN JACINTO CAPITAL PROJECTS**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 300	\$ 300	\$ 3,139	\$ 2,839
Total Revenues	300	300	3,139	2,839
<b>EXPENDITURES</b>				
Current:				
Community development	1,049,559	2,402,559	972,681	1,429,878
Total Expenditures	1,049,559	2,402,559	972,681	1,429,878
Excess of Revenues Over (Under) Expenditures	(1,049,259)	(2,402,259)	(969,542)	1,432,717
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to the City of San Jacinto Capital Projects Fund	(4,201,610)	(5,599,521)	(1,429,155)	4,170,366
Transfers in	1,500,000	1,500,000	1,500,000	-
Total Other Financing Sources (Uses)	(2,701,610)	(4,099,521)	70,845	4,170,366
Net Changes in Fund Balances	(3,750,869)	(6,501,780)	(898,697)	5,603,083
Fund Balances at Beginning of Year	1,107,116	1,107,116	1,107,116	-
Fund Balances at End of Year	\$ (2,643,753)	\$ (5,394,664)	\$ 208,419	\$ 5,603,083

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SAN JACINTO DEBT SERVICE**

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

	Budgeted Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUE</b>				
Tax increment	\$ 3,831,650	\$ 3,831,650	\$ 3,571,412	\$ (260,238)
Use of money and property	45,000	45,000	35,942	(9,058)
Total Revenues	<u>3,876,650</u>	<u>3,876,650</u>	<u>3,607,354</u>	<u>(269,296)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	464,622	464,622	466,939	(2,317)
Pass-through Agreement payments	1,898,720	1,898,720	1,652,335	246,385
ERAF payment	397,988	397,988	314,756	83,232
Debt service:				
Principal	64,974	64,974	66,244	(1,270)
Interest	114,937	114,937	114,937	-
Total Expenditures	<u>2,941,241</u>	<u>2,941,241</u>	<u>2,615,211</u>	<u>326,030</u>
Excess of Revenues Over (Under) Expenditures	<u>935,409</u>	<u>935,409</u>	<u>992,143</u>	<u>56,734</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
Net Changes in Fund Balances	935,409	935,409	(507,857)	56,734
Fund Balances at Beginning of Year	<u>4,218,077</u>	<u>4,218,077</u>	<u>4,218,077</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 5,153,486</u>	<u>\$ 5,153,486</u>	<u>\$ 3,710,220</u>	<u>\$ 56,734</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**SUPPLEMENTARY SCHEDULE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2011**

	Soboba Debt Service	Soboba Capital Projects	Soboba Special Revenue	Total Non-major Funds
<b>ASSETS</b>				
Cash and investments	\$ 465,449	\$ 87,885	\$ 622,012	\$ 1,175,346
Total Assets	<u>\$ 465,449</u>	<u>\$ 87,885</u>	<u>\$ 622,012</u>	<u>\$ 1,175,346</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other governments	\$ 32,161			\$ 32,161
Total Liabilities	<u>32,161</u>			<u>32,161</u>
Fund Balances:				
Restricted			\$ 622,012	622,012
Assigned	433,288	\$ 87,885		521,173
Total Fund Balance	<u>433,288</u>	<u>87,885</u>	<u>622,012</u>	<u>1,143,185</u>
Total Liabilities and Fund Balances	<u>\$ 465,449</u>	<u>\$ 87,885</u>	<u>\$ 622,012</u>	<u>\$ 1,175,346</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**SUPPLEMENTARY SCHEDULE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**

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

	Soboba Debt Service	Soboba Capital Projects	Soboba Special Revenue	Total Governmental Funds
<b>REVENUES</b>				
Tax increment	\$ 281,072		\$ 70,240	\$ 351,312
Use of money and property	9,585	\$ 794	5,321	15,700
Total Revenues	<u>290,657</u>	<u>794</u>	<u>75,561</u>	<u>367,012</u>
<b>EXPENDITURES</b>				
Current:				
Community development	25,923		966	26,889
Intergovernmental:				
Pass-through agreement payments	32,426			32,426
ERAF payment	73,832			73,832
Debt service:				
Principal				-
Interest	28,208			28,208
Total Expenditures	<u>160,389</u>		<u>966</u>	<u>161,355</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	130,268	794	74,595	205,657
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to the City of San Jacinto Capital Projects			(225,000)	(225,000)
Total Other Financing Sources (Uses)			<u>(225,000)</u>	<u>(225,000)</u>
Net Change in Fund Balances	130,268	794	(150,405)	(19,343)
Fund Balances at Beginning of Year	<u>303,020</u>	<u>87,091</u>	<u>772,417</u>	<u>1,162,528</u>
Fund Balances at End of Year	<u>\$ 433,288</u>	<u>\$ 87,885</u>	<u>\$ 622,012</u>	<u>\$ 1,143,185</u>

**REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO**

**COMPUTATION OF LOW/MODERATE HOUSING FUND  
EXCESS SURPLUS**

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

		<u><b>Merged Project Area</b></u>
Opening Fund Balance		<u>\$ 2,677,157</u>
Less Unavailable Amounts:		
Land held for resale	\$ (292,859)	
Rehabilitation Loans	<u>(2,300,000)</u>	
		<u>(2,592,859)</u>
<b>Available Fund Balance – For Excess/Surplus</b>		<u><u>\$ 84,298</u></u>
Does Available Fund Balance for Excess/Surplus exceed the greater of prior four years set-aside deposits or \$1,000,000?		
Tax Increment Set-Aside Amounts		
Fiscal Year 2006-07	1,101,846	
Fiscal Year 2007-08	1,275,713	
Fiscal Year 2008-09	1,313,568	
Fiscal Year 2009-10	<u>1,062,043</u>	
Total Set-Aside Deposited into Fund	<u>4,753,170</u>	
Greater of Tax Increment Deposits or \$1,000,000		<u><u>\$ 4,753,170</u></u>
<b>Excess/Surplus Funds</b>		
Computed Excess Surplus		<u><u>None</u></u>



**INDEPENDENT AUDITORS' 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**

Governing Board  
San Jacinto Redevelopment Agency  
San Jacinto, California

We have audited the financial statements of the governmental activities and each major fund of the San Jacinto Redevelopment Agency (the Agency), a component unit of the City of San Jacinto, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon, dated December 28, 2011. Our report refers to the Agency's adoption of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. Additionally, our report refers to Notes 11, 12, and 14 relating to the impact of recent legislation for California Redevelopment Agencies; the transfer of assets to the City of San Jacinto. Our report also refers to Note 13 relating to the merger of the Agency's project areas. 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 Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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 Agency'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 statements 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*.

We noted certain matters that we reported to management of the Agency in a separate letter dated December 23, 2011.

This report is intended solely for the information and use of the Agency Members of the Board, management of the San Jacinto Redevelopment Agency and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

*Vawter, Tami, Day, Co., LLP*

Rancho Cucamonga, California  
December 23, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON CALIFORNIA REDEVELOPMENT AGENCIES, AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE GUIDELINES FOR COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES AS INTERPRETED IN THE SUGGESTED AUDITING PROCEDURES FOR ACCOMPLISHING COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES**

Governing Board  
San Jacinto Redevelopment Agency  
San Jacinto, California

**Compliance**

We have audited the San Jacinto Redevelopment Agency (the Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011* issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements. In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the program for the year ended June 30, 2011. However, the results of our tests disclosed an instances of noncompliance or other matters that are required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies* which is described in the accompanying schedule of findings and responses as 2011-1.

**Internal Control Over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, Agency's management, other within the entity and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

*Vourmiste, Trine, Day, Co., LLP*

Rancho Cucamonga, California  
December 23, 2011

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2011**

**Finding 2011-1**

**Fiscal Statement**

**Compliance Section:** Financial Disclosure and Reporting

**Criteria or Specific Requirement:**

The Agency must file a fiscal statement, in accordance with Health and Safety Code Section 33080.5.

**Condition Found:**

The Agency did not file a fiscal statement as required by Health and Safety Code Section 33080.5.

**Context:**

The condition was noted during compliance testing in accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies*.

**Cause:**

The Agency's policies and procedures did not ensure that the fiscal statement required by the aforementioned Health and Safety code section, was performed on an annual basis.

**Effect:**

The fiscal statement was not filed, in accordance with Health and Safety Code Section 33080.5.

**Recommendation:**

We recommend that the Agency prepare and submit a fiscal statement, in accordance with Health and Safety Code Section 33080.5.

**Views of Responsible Officials and Planned Corrective Action:**

In previous years, our reporting package included the audited financial statements, State Controller's Financial Transactions Report, and HCD report, which included all of the required information. Now due to the renewed focus on Redevelopment Agencies, the State Controller's office has interpreted this Health and Safety Code Section to require a separate report of compiled information. This interpretation was made known after the filing requirements in December 2010. For fiscal year 2010-11 this fiscal statement is a separate report in the reporting package.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDT FINDINGS**

**JUNE 30, 2011**

<u>Finding</u>	<u>Status</u>
2010-1 Redevelopment Compliance Oversight/Five-Year Implementation Plan	Implemented
2010-2 Redevelopment Compliance Oversight – Annual Report	Implemented
2010-3 Land Held for Resale	Implemented
2010-4 Interest Payable	Implemented