

CITY OF SAN JUAN BAUTISTA

FINANCIAL STATEMENTS

JUNE 30, 2007

City of San Juan Bautista

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of San Juan Bautista
San Juan Bautista, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of San Juan Bautista, California (City) as of and for the year ended June 30, 2007 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the *overall* financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund and the aggregate remaining fund information of the City of San Juan Bautista, California as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2008, on our consideration of the City of San Juan Bautista'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 conjunction with this report in considering results of our audit.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The City has elected not to present Management's Discussion and Analysis.

Vaurine K, Trine, De, & Co. LLP.

Pleasanton, California
March 4, 2008

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 714,462	\$ 25,355	\$ 739,817
Accounts receivable - net of allowance for doubtful accounts	193,956	149,164	343,120
Prepays	7,011	6,711	13,722
Restricted assets			
Cash and investments	-	3,824	3,824
Advances to \ from other funds (internal balances)	202,829	(202,829)	-
Capital assets			
Land	22,610	69,783	92,393
Buildings and improvements	586,668	265,846	852,514
Equipment	273,158	222,144	495,302
Vehicles	456,965	7,268	464,233
Infrastructure	85,883	3,045,256	3,131,139
Construction in progress	507,570	-	507,570
Accumulated depreciation	(1,091,232)	(1,601,846)	(2,693,078)
TOTAL ASSETS	1,959,880	1,990,676	3,950,556
LIABILITIES			
Accounts payable	97,739	16,544	114,283
Leases payable	10,490	14,878	25,368
Other liabilities	6,891	3,913	10,804
Payable from restricted assets			
Deposits	-	34,150	34,150
Current portion notes payable	23,007	2,164	25,171
Accrued interest	-	2,164	2,164
Noncurrent liabilities			
Accrued vacation	3,055	1,748	4,803
Notes payable, net of current portion	266,094	31,043	297,137
Leases payable, net of current portion	1,235	11,790	13,025
TOTAL LIABILITIES	408,511	118,394	526,905
NET ASSETS			
Invested in capital assets - net related debt	540,796	1,948,576	2,489,372
Unrestricted (deficit)	1,010,573	(76,294)	934,279
TOTAL NET ASSETS	\$ 1,551,369	\$ 1,872,282	\$ 3,423,651

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

CITY OF SAN JUAN BAUTISTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Program Activities						
Governmental Activities						
General government and administration	\$ 378,515	\$ 67,512	\$ 7,039	\$ (303,964)	\$ -	\$ (303,964)
Public works	432,130	37,518	-	(394,612)	-	(394,612)
Public safety	313,429	6,879	100,080	(206,470)	-	(206,470)
Library	83,729	1,590	9,026	(73,113)	-	(73,113)
Total Governmental Activities	1,207,803	113,499	116,145	(978,159)	-	(978,159)
Business-Type Activities						
Water	302,307	354,764	-	-	52,457	52,457
Sewer	544,935	632,577	-	-	87,642	87,642
Total Business-Type Activities	847,242	987,341	-	-	140,099	140,099
TOTAL GOVERNMENT	\$ 2,055,045	\$ 1,100,840	\$ 116,145	(978,159)	140,099	(838,060)
General Revenues						
Taxes						
Secured and unsecured				260,954	-	260,954
Sales				394,883	-	394,883
Gas				36,486	-	36,486
Other				169,844	-	169,844
Franchise fee, license, etc.				252,005	-	252,005
Investment earnings				6,311	22,911	29,222
Miscellaneous				91,820	12,827	104,647
TOTAL GENERAL REVENUES				1,212,303	35,738	1,248,041
CHANGE IN NET ASSETS				234,144	175,837	409,981
NET ASSETS, BEGINNING OF YEAR				1,317,225	1,696,445	3,013,670
NET ASSETS, END OF YEAR				\$ 1,551,369	\$ 1,872,282	\$ 3,423,651

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

FUND FINANCIAL STATEMENTS

CITY OF SAN JUAN BAUTISTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Roads - Restrooms Fund	Historical Preservation Grant	COPS Frontline Funds	Gas Tax Funds	Valle Vista Lighting/ Landscaping Fund	2002-2009 Water/Sewer Capital Project	Non-Major Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 167,280	\$ 14,133	\$ -	\$ 209,324	\$ 251,445	\$ 40,560	\$ -	\$ 31,720	\$ 714,462
Accounts receivable (net where applicable of allowance for doubtful accounts)	183,893	-	-	-	10,063	-	-	-	193,956
Prepays	7,011	-	-	-	-	-	-	-	7,011
Due to/from other funds	997,722	-	(22,183)	-	-	-	(772,710)	-	202,829
Total Assets	\$ 1,355,906	\$ 14,133	\$ (22,183)	\$ 209,324	\$ 261,508	\$ 40,560	\$ (772,710)	\$ 31,720	\$ 1,118,258
LIABILITIES									
Accounts payable	\$ 40,564	\$ -	\$ -	\$ 5,925	\$ 269	\$ 2,781	\$ 48,200	\$ -	\$ 97,739
Accrued expenses	6,527	-	-	-	364	-	-	-	6,891
Total Liabilities	47,091	-	-	5,925	633	2,781	48,200	-	104,630
FUND BALANCES									
Reserved for:									
Future expenditures	2,000	-	-	203,399	-	-	-	-	205,399
Noncurrent receivables	202,829	-	-	-	-	-	-	-	202,829
Unreserved (Deficit), reported in:									
General fund	1,103,986	-	-	-	-	-	-	-	1,103,986
Special revenue funds	-	14,133	(22,183)	-	260,875	37,779	(820,910)	31,720	(498,586)
TOTAL FUND BALANCES (DEFICIT)	1,308,815	14,133	(22,183)	203,399	260,875	37,779	(820,910)	31,720	1,013,628
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,355,906	\$ 14,133	\$ (22,183)	\$ 209,324	\$ 261,508	\$ 40,560	\$ (772,710)	\$ 31,720	\$ 1,118,258

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

CITY OF SAN JUAN BAUTISTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,013,628
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet, these are deferred in the funds.	841,622
Long term liabilities are not recorded in the governmental funds	(300,826)
Compensated absences are considered long term and therefore are not recorded in the governmental funds.	<u>(3,055)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,551,369</u></u>

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

CITY OF SAN JUAN BAUTISTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES	General	Roads - Restrooms Fund	Historical Preservation Grant	COPS Frontline Funds	Gas Tax Funds	Valle Vista Lighting/ Landscaping Fund	2002-2009 Water/Sewer Capital Project	Non Major Governmental Funds	Total Governmental Funds
Taxes									
Secured and unsecured	\$ 260,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,954
Sales	394,883	-	-	-	-	-	-	-	394,883
Gas	-	-	-	-	36,486	-	-	-	36,486
Other	163,893	5,756	-	-	-	195	-	-	169,844
Charges for services	110,369	-	-	-	-	-	-	-	110,369
License and fees	251,478	-	-	-	-	-	-	-	251,478
Investment income	703	-	-	-	4,929	-	-	679	6,311
Fines and forfeitures	3,657	-	-	-	-	-	-	-	3,657
Grants and contributions	1,606	-	7,039	100,000	-	-	-	7,500	116,145
Miscellaneous	91,807	-	-	-	13	-	-	-	91,820
TOTAL REVENUES	1,279,350	5,756	7,039	100,000	41,428	195	-	8,179	1,441,947
EXPENDITURES									
Current									
General administration	310,564	-	-	-	17,702	-	7,841	-	336,107
Public works	330,582	-	20,918	-	34,542	10,389	-	12,590	409,021
Law enforcement	133,279	-	-	100,000	-	-	-	-	233,279
Fire department	43,107	-	-	-	-	-	-	-	43,107
Library	67,198	-	-	-	-	-	-	5,124	72,322
Capital outlay	2,250	-	-	-	-	-	450,457	-	452,707
Debt Service	-	-	-	-	-	-	-	-	-
Principal payments	1,744	-	-	-	-	-	1,580	-	3,324
TOTAL EXPENDITURES	888,724	-	20,918	100,000	52,244	10,389	459,878	17,714	1,549,867
EXCESS (DEFICIENCY) OF									
REVENUES OVER EXPENDITURES	390,626	5,756	(13,879)	-	(10,816)	(10,194)	(459,878)	(9,535)	(107,920)
Other Financing Sources (Uses)	-	-	-	-	-	-	290,681	-	290,681
Proceeds from line of credit	-	-	-	-	-	-	-	-	-
Net Change in Fund Balance	390,626	5,756	(13,879)	-	(10,816)	(10,194)	(169,197)	(9,535)	182,761
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	918,189	8,377	(8,304)	203,399	271,691	47,973	(651,713)	41,255	830,867
FUND BALANCES (DEFICIT), END OF YEAR	\$ 1,308,815	\$ 14,133	\$ (22,183)	\$ 203,399	\$ 260,875	\$ 37,779	\$ (820,910)	\$ 31,720	\$ 1,013,628

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

CITY OF SAN JUAN BAUTISTA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 182,761

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

Governmental fund report capital outlay as expenditures. However, in the government-wide statements of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 452,707

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (110,910)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities. 3,324

New debt issued is accounted for as other sources in the governmental funds, but increase long-term debt obligations in the statement of net assets and does not affect the statement of activities. (290,681)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (3,057)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 234,144

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

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

REVENUES	Budgeted Amounts		Actual Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Taxes				
Secured and unsecured	\$ 227,000	\$ 227,000	\$ 260,954	\$ 33,954
Sales	310,000	309,996	394,883	84,887
Other	103,000	103,000	163,893	60,893
Charges for services	86,775	86,775	110,369	23,594
License and fees	72,560	72,560	251,478	178,918
Investment Income	400	400	703	303
Fines and forfeitures	11,000	11,000	3,657	(7,343)
Grants and contributions	8,198	8,198	1,606	(6,592)
Miscellaneous	3,100	3,100	91,807	88,707
TOTAL REVENUES	822,033	822,029	1,279,350	457,321
EXPENDITURES				
Current				
General administration	293,445	293,445	312,308	(18,863)
Public works	310,640	310,640	330,582	(19,942)
Law enforcement	208,708	208,708	133,279	75,429
Fire department	92,861	92,861	43,107	49,754
Library	91,008	91,008	67,198	23,810
Capital outlay	-	-	2,250	(2,250)
TOTAL EXPENDITURES	996,662	996,662	888,724	107,938
EXCESS OF REVENUES OVER EXPENDITURES	\$ (174,629)	\$ (174,633)	390,626	\$ 565,259
FUND BALANCE, BEGINNING OF YEAR			918,189	
FUND BALANCE, END OF YEAR			\$ 1,308,815	

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

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Budget Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
COPS Frontline Law Enforcement	\$ 110,000	\$ 110,000	\$ 100,000	\$ (10,000)
Gas Tax Fund	72,500	72,500	41,428	(31,072)
Valle Vista Lighting	1,500	1,500	195	(1,305)
Roads-Restrooms	-	-	5,756	5,756
Historical Preservation Grant	-	-	7,039	7,039
TOTAL REVENUES	184,000	184,000	154,418	(29,582)
EXPENDITURES				
CA Law Enforcement Equipment Project	6,864	6,864	-	6,864
COPS Frontline Law Enforcement	110,000	110,000	100,000	10,000
Gas Tax Fund	66,237	66,237	52,244	13,993
Valle Vista Lighting	1,500	1,500	10,389	(8,889)
Historical Preservation Grant	-	-	20,918	(20,918)
TOTAL EXPENDITURES	184,601	184,601	183,551	1,050
EXCESS OF REVENUES OVER EXPENDITURES	\$ (601)	\$ (601)	\$ (29,133)	\$ (28,532)

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

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2007**

	Business Type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 23,063	\$ 2,292	\$ 25,355
Accounts receivable (net of allowance for doubtful accounts)	69,989	79,175	149,164
Prepaid Assets	3,262	3,449	6,711
Total Current Assets	96,314	84,916	181,230
Restricted assets			
Cash and investments	3,824	-	3,824
Noncurrent assets			
Capital assets			
Land	11,085	58,698	69,783
Buildings and improvements	265,846	-	265,846
Equipment	66,799	155,345	222,144
Vehicles	1,817	5,451	7,268
Infrastructure	493,688	2,551,568	3,045,256
Accumulated depreciation	(505,641)	(1,096,205)	(1,601,846)
Total Noncurrent Assets	333,594	1,674,857	2,008,451
TOTAL ASSETS	433,732	1,759,773	2,193,505
LIABILITIES			
Current Liabilities			
Accounts payable	15,985	559	16,544
Leases payable	-	14,878	14,878
Other	1,092	2,821	3,913
Total Current Liabilities	17,077	18,258	35,335
Liabilities payable from restricted assets			
Accrued interest	2,164	-	2,164
Current portion notes payable	2,164	-	2,164
Deposits	34,150	-	34,150
Total Liabilities Payable from Restricted Assets	38,478	-	38,478
Noncurrent liabilities			
Accrued vacation	505	1,243	1,748
Advances from other funds	110,325	92,504	202,829
Leases payable	-	11,790	11,790
Notes payable, net of current portion	31,043	-	31,043
Total Noncurrent Liabilities	141,873	105,537	247,410
TOTAL LIABILITIES	197,428	123,795	321,223
NET ASSETS (DEFICIT)			
Invested in capital assets - net of related debt	331,430	1,648,189	1,979,619
Unrestricted (deficit)	(95,126)	(12,211)	(107,337)
Total Net Assets	\$ 236,304	\$ 1,635,978	\$ 1,872,282

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

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 354,764	\$ 632,577	\$ 987,341
Miscellaneous	12,894	(67)	12,827
Total operating revenues	367,658	632,510	1,000,168
OPERATING EXPENSES			
General and administration	116,837	136,337	253,174
Public works	148,363	322,204	470,567
Depreciation	34,649	83,305	117,954
Total operating expenses	299,849	541,846	841,695
INCOME FROM OPERATIONS	67,809	90,664	158,473
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	22,872	39	22,911
Interest expense	(2,458)	(3,089)	(5,547)
Total nonoperating revenues (expenses)	20,414	(3,050)	17,364
CHANGE IN NET ASSETS	88,223	87,614	175,837
NET ASSETS, BEGINNING OF YEAR	148,081	1,548,364	1,696,445
NET ASSETS, END OF YEAR	\$ 236,304	\$ 1,635,978	\$ 1,872,282

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

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business Type Activities - Enterprise Funds		
	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 344,709	\$ 634,728	\$ 979,437
Cash payments to other funds	(78,424)	(124,834)	(203,258)
Cash payments to suppliers for goods and services	(151,202)	(352,754)	(503,956)
Cash payments to employees for services	(117,678)	(138,466)	(256,144)
Net Cash provided (used) by operating activities	(2,595)	18,674	16,079
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(16,048)	(2,409)	(18,457)
Payments of capital leases - net	-	(11,702)	(11,702)
Payments of capital debt	(2,061)	-	(2,061)
Interest paid on bonds, notes and leases	(1,068)	(3,089)	(4,157)
Net cash used in capital and related financing activities	(19,177)	(17,200)	(36,377)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	22,872	39	22,911
Net cash provided by investing activities	22,872	39	22,911
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,100	1,513	2,613
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	25,787	779	26,566
CASH AND EQUIVALENTS - END OF YEAR	\$ 26,887	\$ 2,292	\$ 29,179
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS			
Current assets - cash and cash equivalents	\$ 23,063	\$ 2,292	\$ 25,355
Restricted assets - cash and cash equivalents	3,824	-	3,824
Total cash and cash equivalents	\$ 26,887	\$ 2,292	\$ 29,179

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

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Business Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Income from operations	\$ 67,809	\$ 90,664	\$ 158,473
Adjustments to reconcile income from operations to net cash provided in operating activities			
Depreciation	34,649	83,305	117,954
(Increase) decrease in:			
Accounts receivables	(24,604)	2,218	(22,386)
Deferred charge	(3,262)	(3,449)	(6,711)
Increase (decrease) in:			
Account payables	1,118	(27,101)	(25,983)
Other liabilities	(841)	(2,129)	(2,970)
Deposits	1,655	-	1,655
Due to other funds	(78,424)	(124,834)	(203,258)
Accrued interest	(695)	-	(695)
Total adjustments	(70,404)	(71,990)	(142,394)
Net cash provided (used) by operating activities	\$ (2,595)	\$ 18,674	\$ 16,079

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

NOTES TO FINANCIAL STATEMENTS

CITY OF SAN JUAN BAUTISTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City of San Juan Bautista (City) was incorporated in 1869. The City operates under a Council-Manager form of government and provides the following services: public safety, development, public health and welfare, water and sewer, culture and recreation.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board (GASB) pronouncements. As allowed in Section P80 of GASB's *Codification of Governmental/Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

The more significant accounting policies of the City are described below.

Financial Reporting Entity

The City's financial statements include the accounts of all City operations. The criteria for including other entities/organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, *The Financial Reporting Entity* include whether:

- The elected officials of the City are financially accountable
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's governing body and is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of San Juan Bautista has no component units.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these governmental activities, which normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

CITY OF SAN JUAN BAUTISTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included with program revenue are reported instead as *general revenue*.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for the City's enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following funds:

General Fund

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Roads and Restrooms Fund

This fund uses 2% of TOT funds which are set aside for roads and restrooms improvements.

Historic Preservation Fund

These are Certified Local Government grant funds and their local match purposed to update the historic inventory for the City of San Juan Bautista.

COPS-Frontline Law Enforcement Fund

AB 1913 provides \$100,000 for front-line law enforcement services.

CITY OF SAN JUAN BAUTISTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gas Tax Fund

Revenues are provided through distributions of State gas tax revenues under the purview of the California Streets and Highways Code for the purpose of construction and maintenance of city streets.

Valle Vista Lighting/Landscape Fund

The purpose of the Fund is to maintain and operate all public landscaping, irrigation and street lighting within the Valle Vista subdivision. Currently, the City has no responsibility to do anything in the Fund, as the council has not formally accepted the improvements.

2002-2009 Water/Sewer Project Fund

This fund is used to track the funds associated with the building of a new water treatment facility, a new reservoir, and various associated infrastructure improvements to the water and sewer funds. The project will be substantially funded through an EDA grant, a Caltrans STIP fund grant, an infrastructure investment from the San Benito County Water District, and private placement financing.

Measurement Focus Basis of Accounting and Financial Statements Presentation:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

