

**SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

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

**FOR YEARS ENDED JUNE 30, 2007 and 2006**

**KEMPER CPA GROUP LLP**  
*Certified Public Accountants and Consultants*

# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

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## INDEPENDENT AUDITOR'S REPORT

San Joaquin Area Flood Control Agency  
Stockton, California

We have audited the accompanying financial statements of the governmental activities and each major fund of San Joaquin Area Flood Control Agency, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the San Joaquin Area Flood Control Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of San Joaquin Area Flood Control Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of San Joaquin Area Flood Control Agency, as of June 30, 2007 and 2006, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2009, on our consideration of San Joaquin Area Flood Control 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 conjunction with this report in considering the results of our audit.

The management discussion and analysis and budgetary comparison information on pages 2 through 9 and 28 through 30, 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.

*Kemper CPA Group LLP*  
Kemper CPA Group LLP  
Certified Public Accountants and Consultants

Stockton, California  
March 23, 2009

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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This section of the San Joaquin Area Flood Control Agency's (SJAFCA) annual financial report represents a discussion and analysis of the Agency's financial performance during the fiscal years ended June 30, 2007 and 2006. It should be read in conjunction with the Agency's basic financial statements following this section.

#### **FINANCIAL HIGHLIGHTS**

As a result of the Agency's refinancing (July 2002), SJAFCA reduced the average annual interest rate of the outstanding bonds to 3.8% and significantly reduced the bond debt. The current bond debt is \$10,219,100 (Statement of Net Assets).

SJAFCA project was included in Federal legislation, which contains provisions for local agencies to plan, design and construct flood control projects and be reimbursed for the Federal share of the project upon project completion. A Memorandum of Agreement with the U.S. Army Corps of Engineers (COE) signed on March 2, 2002, allowed reimbursement for the Federal share of the project through the annual COE budgeting process. In addition, SJAFCA received the State's reimbursement share for the project in 1998. SJAFCA has received the following State and Federal reimbursements:

<u>Year</u>	<u>State Reimbursement</u>	<u>Federal Reimbursement</u>
FY98	\$ 12,625,000	
FY01		
FY02		\$ 10,000,000
FY03		\$ 3,000,000
FY04		\$ 1,380,000
FY05		\$ 2,212,020
FY06		\$ 4,875,000
FY07		\$ 950,000

In each future year budget, the COE will request additional annual appropriations for SJAFCA until the reimbursements total \$35,690,000. As of June 30, 2007, a total of \$22,417,020 has been reimbursed to SJAFCA by the COE, and \$12,625,000 by the State government. It is estimated that the total Federal reimbursement will not be completed until 2014.

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

SJAFCA's basic financial statements include: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Financial Statements. Required Supplementary Information is included in addition to the basic financial statements.

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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**Government-Wide Financial Statements** provide an overview of the Agency's financial position. Refer to Note 1 (Notes to Financial Statements) for further information on significant accounting policies.

The Statement of Net Assets presents information on all SJAFCA assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities presents information showing how net assets changed during the most recent fiscal year.

The Agency's assets are distributed among the different fund types. Most of the Agency's assets are capital assets constructed for flood control improvement. The Agency's non-capital assets are mostly cash and equivalents. The County of San Joaquin maintains the major cash pools for the Agency. A small portion of the Agency's cash is held by the Agency's fiscal agent, Wells Fargo Bank.

The Agency's assets are mostly derived from the original assessment and the proceeds of the bond issue in 1996, and interest income on the balances from these assets. Another source of funds are the Flood Control Equalization Fees, which are collected for the Agency by San Joaquin County and the City of Stockton when building permits are issued to new development within the Agency's assessment district boundaries. The Agency also acquired right-of-way needed for the project from property owners and these are classified under assets as land. The acquired right-of-way will be transferred to the Sacramento - San Joaquin Drainage District upon acceptance by the State of California Reclamation Board.

Most of the Agency's liability is the outstanding bonds initially sold in 1996 which were refinanced in July 2002. The outstanding bonds account for almost 98% of the Agency's liability (See Statement of Net Assets). As of June 30, 2007 the outstanding bonds total \$10,219,100, net of bond premium and deferred loss on refunding. Future debt service payments will be approximately \$2,200,000 annually to cover principal and interest with an average interest rate of approximately 3.8%. The Reserve Fund requirement associated with the bonds is currently \$2,200,000. The annual debt service payment is raised through annual assessments included in the County property tax bill. The last bond payment is scheduled to occur in September 2014.

**Governmental Funds Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. SJAFCA, like other state and local government agencies, uses fund accounting; each fund having its own self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The Agency funds are divided into four categories: General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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*The General Fund* accounts for funds loaned to the Agency in 1995 by the City of Stockton and San Joaquin County for the initial funding of the project activities. City and County loans have been paid, and after the Bond money was received additional funds were created.

*The Special Revenue Fund* includes the following funds: 1) Operations and Maintenance Fund which is used to account for resources held for the operations and maintenance (O&M) of flood control structures. SJAFCA created a special assessment in 1996 for the continued maintenance of the flood structures. Collection of the assessment will continue until a terminating resolution is adopted by the Agency. Assessments are collected as a line item in property tax bills and are deposited in the O&M Fund. The use of O&M funds is legally restricted to the operation and maintenance activities identified in the Agency's annual O&M budget. 2) Flood Control Equalization Fee Fund was created in 1996 to ensure that all new development areas contribute their fair share to the cost of the construction of the Flood Protection Restoration Project. Monies collected through the Flood Control Equalization Fee can be used to pay for costs of the flood control facilities not included in the bonded indebtedness for the Assessment District, and/or to retire the assessment bonds early. This fund balance is transferred annually to the Capital Projects Fund. 3) The Environmental Fund was created to pay the cost of mitigating environmental damage resulting from construction of flood control facilities. Upon completion and payment verification of all project environmental activities, the remaining funds were transferred to the Capital Projects Fund on February 27, 2004.

*The Capital Projects Fund* accounts for all resources in place for the acquisition of capital facilities by the Agency. The original assessments, flood control Equalization Fees, proceeds of the bond issue, interest income, and the transferred Environmental Fund balance, are the sources of funds for the Capital Projects Fund. The Federal and State reimbursements are also included in this Fund.

*The Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related bond costs. Required interest and principal payments are made according to the terms of the bond issue. Assessment district payments collected from property owners through the property tax system are deposited in the debt service fund. Debt service payments are paid out of the same fund.

**Notes to the Financial Statements** provides additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This information includes a budgetary comparison schedule for SJAFCA governmental funds.

# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This fiscal year is the sixth accounting period in which SJAFCA has applied Governmental Accounting Standards Board (GASB) Statement No. 34. As noted earlier, net assets provide an overview of the Agency's financial position.

The following table shows that the Agency's assets exceeded liabilities by about \$ 65 million (\$75,423,841 - \$10,443,582) as of June 30, 2007 and by about \$61 million (\$73,907,858 - \$12,320,746) as of June 30, 2006.

### **STATEMENTS OF NET ASSETS**

June 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 27,069,574	\$ 24,652,471
Land and easements	9,678,245	9,678,245
Flood control infrastructure	38,676,022	39,577,142
<b>TOTAL ASSETS</b>	<b>75,425,848</b>	<b>73,909,864</b>
<u>LIABILITIES</u>		
Current liabilities	547,120	621,426
Long term liabilities	10,219,100	11,699,320
<b>TOTAL LIABILITIES</b>	<b>10,766,220</b>	<b>12,320,746</b>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	38,354,973	37,757,164
Restricted for debt service	5,442,363	4,896,665
Unrestricted	20,860,285	18,933,283
<b>TOTAL NET ASSETS</b>	<b>\$ 64,657,621</b>	<b>\$ 61,587,112</b>

The Agency's capital net assets for the year ended June 30, 2007: Land and Easements (\$9,678,245) and Flood Control Infrastructure (\$38,676,022) totaling \$48,354,267 represent approximately 64% of the Agency's total assets. For the year ended June 30, 2006; Land and Easements (\$9,678,245) and Flood Control Infrastructure (\$39,577,142) totaling \$49,255,387 represent approximately 66% of the Agency's total assets. These capital assets are the flood control improvements constructed by the Agency and are considered assets belonging temporarily to the Agency.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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The following table identifies the changes in net assets for the fiscal years ended June 30, 2007 and 2006:

#### STATEMENT OF ACTIVITIES

For the years ended June 30, 2007 and 2006

<u>REVENUES</u>	<u>2007</u>	<u>2006</u>
Assessments	\$ 3,391,288	\$ 3,154,078
Aid from other government agencies	950,071	4,881,000
Interest income	1,199,123	913,818
Miscellaneous revenue	59,365	160,901
Total revenue	5,599,847	9,109,797
<u>EXPENDITURES</u>		
Operations and management	279,776	244,439
Agency management	1,999,664	2,435,303
Other expenses	249,898	249,898
Reimbursement to taxpayers	-	2,247,769
Total expenditures	2,529,338	5,177,409
<u>NET ASSETS</u>		
Change in net assets	3,070,509	3,932,388
Beginning net assets	61,587,112	57,654,724
Net assets, end of the year	\$ 64,657,621	\$ 61,587,112

The Agency receives or has received revenues from sources which include assessments, interest and investment income, and project reimbursements from the State and the Federal government. The Agency also collects Flood Control Equalization Fees from permits issued for new construction. Flood Control Equalization Fees revenues can be used to complete project improvements approved by the Board or for early retirement of bonds. In addition, the Agency collects operations and maintenance assessments that can only be used to maintain and operate the flood control structures.

Revenues decreased by approximately 38% from \$9,109,797 in fiscal year 2006, to \$5,599,847 in fiscal year 2007. The decrease was mainly due to the reduction in the Federal reimbursement.



## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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Expenditures decreased by approximately 51% (from \$5,177,436 in fiscal year 2006, to \$2,529,388 in fiscal year 2007). This decrease was mainly due to the absence of reimbursement to taxpayers.

#### **FINANCIAL ANALYSIS OF SJAFCA FUNDS**

**The General Fund** accounts for those funds loaned to the Agency in 1995 by the City of Stockton and San Joaquin County for the initial funding of the project activities. As the City and County loans have been paid, the activities in this fund will remain basically the same every year.

**Special Revenue Fund** Approximately \$550,000 in operations and maintenance assessments are collected annually through property assessments and are deposited in the Maintenance and Operation Fund. These monies are limited to operations and maintenance of the flood control structures built by the Agency. The annual budget for operations and maintenance is prepared in coordination with the San Joaquin County Public Works Department and approved by the SJAFCA Board. A budget of approximately \$550,000 is appropriated every year for operations and maintenance. The Maintenance and Operations Fund had a balance of approximately \$3.2 million on June 30, 2007.

**The Capital Projects Funds** consist of the Construction Funds, Flood Control Equalization Fees Fund, Environmental Mitigation Fund, and the Federal Reimbursement Fund. Capital Projects Funds (Fund Balance sheet) reported a combined fund balance of \$17,155,627, approximately a 7.5% increase over the prior fiscal year balance. These funds are available to meet the Agency's current and future needs.

**Debt Service Funds** consist of the Debt Service Fund, Prepayment Fund, Redemption Fund and Reserve Fund. Resources in this fund are for the payment of general long-term debt principal, interest and related costs. District assessments collected from property owners with property taxes will remain steady at approximately \$2,200,000 annually.

#### **INFRASTRUCTURE ASSETS AND DEBT ADMINISTRATION**

##### **Capital Assets**

The Agency's capital assets net of related debt, as of June 30, 2007, amounted to \$38,354,973. These capital assets include land (right-of-way acquired for the project) and flood control infrastructures. The area protected by SJAFCA is about 38,700 assessable gross acres of land with approximately 74,000 parcels in the County of San Joaquin, State of California. SJAFCA completed the construction of the flood control improvements project in November 1998, and

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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since then, no major construction has been done. There were no significant changes in capital assets during fiscal year ended June 30, 2007, as noted in the following table.

	Land	Structures	Totals
Balance, June 30, 2005	\$ 9,678,245	\$ 44,816,129	\$ 54,494,374
Fiscal year 2006 increases	-	242,475	242,475
Balance, June 30, 2006	9,678,245	45,058,604	54,736,849
Fiscal year 2007 increases	-	-	-
Balance, June 30, 2007	<u>\$ 9,678,245</u>	<u>\$ 45,058,604</u>	<u>\$ 54,736,849</u>

Total accumulated depreciation as of June 30, 2007 and 2006, is \$6,382,582 and \$5,481,462, respectively. Therefore, the net infrastructure asset is \$48,354,267 and \$49,255,387, respectively. The infrastructure assets are being depreciated over lives of 50 years.

Land acquired by the Agency for right-of-way purposes, will be turned over to the State of California Reclamation Board. Although the Agency's capital assets, net of related debt, are \$38,354,973 as of June 30, 2007, and \$37,757,164 as of June 30, 2006, it should be noted that the resources needed to repay this debt must be provided from other sources, mostly property assessments. Since the capital assets themselves generate no revenue and have no market value, they cannot be used to liquidate these liabilities. Another significant portion of the Agency's net assets, the restricted non-capital assets, represent resources that are subject to specific restrictions on how they may be used.

#### **Long Term Debt**

As of June 30, 2007 and 2006, the Agency had an outstanding long-term debt of \$10,219,100 and \$11,699,320, respectively. This consists of the remaining outstanding bonds initially sold in 1996 and refinanced in July of 2002. These bonds account for approximately 94% of the Agency's liabilities.

#### **SJAFCA OPERATIONS**

SJAFCA completed the construction of its \$70 million flood control improvements project in November 1998. As a result, the level of SJAFCA activities has substantially declined. Operations are currently concentrated on negotiating reimbursement from the Federal government, the repayment of the bond issue, and the general administrative duties of the Agency. In addition, SJAFCA is studying other flood control projects that may provide additional flood control benefit to the district using the remaining Capital Project Fund balance. Before undertaking any new projects, SJAFCA must determine whether the proposed project will meet the necessary criteria for which funds are available for expenditure. On March 15, 2005, SJAFCA Board of Directors approved an agreement with RD 1614 in the amount of

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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\$166,164 for the Phase I (preliminary engineering/cost estimate) of the Smith Canal Slope Protection improvement project. On October 26, 2005 the Board approved the Phase II (Project financing/RD 1614 assessment district formation). Due to the concern of having SJAFCA levees decertified by the Federal Emergency Management Agency (FEMA) and/or the State Department of Water Resources (DWR) the Board decided to delay the final design of the Smith Canal Project and to hold in reserve the federal reimbursement and the project surplus funds. This will allow the Agency to be in a better financial position to address FEMA and/or DWR requirements that may result as a consequence of the ongoing FEMA Remapping.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of SJAFCA's finances for all those with interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the SJAFCA Executive Director, James B. Giottonini at 22 E. Weber Avenue, Room 301, Stockton, CA 95202.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

	2007		2006	
	Governmental Activities	Totals	Governmental Activities	Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 23,897,402	\$ 23,897,402	\$ 21,560,708	\$ 21,560,708
Assessments receivable	71,702	71,702	67,948	67,948
Interest income receivable	322,427	322,427	278,492	278,492
Bond issuance costs, net	51,583	51,583	51,583	51,583
Total current assets	<u>24,343,114</u>	<u>24,343,114</u>	<u>21,958,731</u>	<u>21,958,731</u>
<b>OTHER ASSETS</b>				
Deposits	8,500	8,500	8,500	8,500
Long term investments	2,395,567	2,395,567	2,311,264	2,311,264
Bond issuance costs, net	322,393	322,393	373,976	373,976
Infrastructure assets, net	38,676,022	38,676,022	39,577,142	39,577,142
Land and easements	9,678,245	9,678,245	9,678,245	9,678,245
Total other assets	<u>51,080,727</u>	<u>51,080,727</u>	<u>51,949,127</u>	<u>51,949,127</u>
Total assets	<u>75,423,841</u>	<u>75,423,841</u>	<u>73,907,858</u>	<u>73,907,858</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	392,950	392,950	396,964	396,964
Interest payable	154,170	154,170	224,462	224,462
Bonds payable, current portion	1,100,220	1,100,220	1,730,000	1,730,000
Total current liabilities	<u>1,647,340</u>	<u>1,647,340</u>	<u>2,351,426</u>	<u>2,351,426</u>
<b>LONG TERM LIABILITIES</b>				
Bonds payable, net of bond premium and deferred loss	9,118,880	9,118,880	9,969,320	9,969,320
Total long term liabilities	<u>9,118,880</u>	<u>9,118,880</u>	<u>9,969,320</u>	<u>9,969,320</u>
Total liabilities	<u>10,766,220</u>	<u>10,766,220</u>	<u>12,320,746</u>	<u>12,320,746</u>
<b>NET ASSETS</b>				
Invested in land and infrastructure, net of related debt	38,354,973	38,354,973	37,757,164	37,757,164
Restricted for debt service	5,442,363	5,442,363	4,896,665	4,896,665
Unrestricted	20,860,285	20,860,285	18,933,283	18,933,283
Total net assets	<u>\$ 64,657,621</u>	<u>\$ 64,657,621</u>	<u>\$ 61,587,112</u>	<u>\$ 61,587,112</u>

See independent auditor's report and notes to the financial statements.

# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

## **STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	June 30, 2007			
	Program Revenues			
	Program Expenses	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue
<b>GOVERNMENTAL ACTIVITIES</b>				
Operations and management	\$ 279,776	\$ -	\$ -	\$ (279,776)
Agency management	<u>1,999,664</u>	<u>1,039,317</u>	<u>950,071</u>	<u>(10,276)</u>
Total governmental activities	<u>\$ 2,279,440</u>	<u>\$ 1,039,317</u>	<u>\$ 950,071</u>	<u>(290,052)</u>
<b>GENERAL REVENUES</b>				
Assessments				3,391,288
Interest income				159,806
Change in market value				56,176
Miscellaneous income				<u>3,189</u>
Total general revenues				3,610,459
Loss on advance refunding of bonds				<u>(249,898)</u>
Change in net assets				<u>3,070,509</u>
Beginning net assets				<u>61,587,112</u>
Ending net assets				<u>\$ 64,657,621</u>

Direct interest expense of \$667,947 is included in the program expenses of agency management.

See independent auditor's report and notes to the financial statements.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

June 30, 2006

	Program Revenues			Net (expense) revenue
	Program Expenses	Operating grants and contributions	Capital grants and contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Operations and management	\$ 244,439	\$ -	\$ -	\$ (244,439)
Agency management	<u>2,415,149</u>	<u>796,958</u>	<u>4,881,000</u>	<u>3,262,809</u>
Total governmental activities	<u>\$ 2,659,588</u>	<u>\$ 796,958</u>	<u>\$ 4,881,000</u>	<u>3,018,370</u>
<b>GENERAL REVENUES</b>				
Assessments				3,154,078
Interest income				116,860
Miscellaneous income				<u>160,901</u>
Total general revenues				3,431,839
Reimbursement to taxpayers				(2,247,769)
Change in market value				(20,154)
Loss on advance refunding of bonds				<u>(249,898)</u>
Change in net assets				<u>3,932,388</u>
Beginning net assets				<u>57,654,724</u>
Ending net assets				<u>\$ 61,587,112</u>

Direct interest expense of \$1,053,198 is included in the program expenses of agency management.

See independent auditor's report and notes to the financial statements.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## FUND BALANCE SHEETS OF GOVERNMENTAL FUNDS JUNE 30, 2007 AND 2006

	2007				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 581,500	\$ 3,392,278	\$ 16,930,531	\$ 2,993,093	\$ 23,897,402
Assessments receivable	-	71,702	-	-	71,702
Interest income receivable	7,603	44,524	216,596	53,704	322,427
Deposits	-	-	8,500	-	8,500
Long term investments	-	-	-	2,395,567	2,395,567
Total assets	\$ 589,103	\$ 3,508,504	\$ 17,155,627	\$ 5,442,364	\$ 26,695,598
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 38,293	\$ 354,657	\$ -	\$ 392,950
Total liabilities	-	38,293	354,657	-	392,950
<b>FUND BALANCES</b>					
Unrestricted:					
Unrestricted	589,103	-	-	-	589,103
Designated for maintenance and operations	-	3,470,212	-	-	3,470,212
Designated for capital improvements	-	-	16,800,970	-	16,800,970
Total unrestricted	589,103	3,470,212	16,800,970	-	20,860,285
Restricted for debt service	-	-	-	5,442,363	5,442,363
Total fund balances	589,103	3,470,212	16,800,970	5,442,363	26,302,648
Total liabilities and fund balances	\$ 589,103	\$ 3,508,505	\$ 17,155,627	\$ 5,442,363	\$ 26,695,598

See independent auditor's report and notes to the financial statements.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## FUND BALANCE SHEETS OF GOVERNMENTAL FUNDS JUNE 30, 2007 AND 2006

	2006				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 552,775	\$ 2,705,220	\$ 15,767,290	\$ 2,535,423	\$ 21,560,708
Assessments receivable	-	67,858	122	(32)	67,948
Interest income receivable	6,609	39,214	182,658	50,011	278,492
Deposits	-	-	8,500	-	8,500
Long term investments	-	-	-	2,311,264	2,311,264
Total assets	\$ 559,384	\$ 2,812,292	\$ 15,958,570	\$ 4,896,666	\$ 24,226,912
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 55,061	\$ 341,903	\$ -	\$ 396,964
Total liabilities	-	55,061	341,903	-	396,964
<b>FUND BALANCES</b>					
Unrestricted:					
Unrestricted	559,384	-	-	-	559,384
Designated for maintenance and operations	-	2,757,232	-	-	2,757,232
Designated for capital improvements	-	-	15,616,667	-	15,616,667
Total unrestricted	559,384	2,757,232	15,616,667	-	18,933,283
Restricted for debt service	-	-	-	4,896,665	4,896,665
Total fund balances	559,384	2,757,232	15,616,667	4,896,665	23,829,948
Total liabilities and fund balances	\$ 559,384	\$ 2,812,293	\$ 15,958,570	\$ 4,896,665	\$ 24,226,912

See independent auditor's report and notes to the financial statements.



# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

## **RECONCILIATION OF THE FUND BALANCE SHEETS OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Fund balances - total government funds (from pages 13 and 14)	\$ 26,302,648	\$ 23,829,948
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets (page 11) are different because (See note 2 also):		
Infrastructure assets, land and easements	54,736,849	54,736,849
Accumulated depreciation	<u>(6,382,582)</u>	<u>(5,481,462)</u>
They are not financial resources and, therefore, are not reported in the funds. See Note 6 for additional detail.	<u>48,354,267</u>	<u>49,255,387</u>
Bonds payable	(12,030,000)	(13,760,000)
Unamortized bond premium	(860)	(978)
Bond interest payable	(154,170)	(224,462)
Unamortized deferred loss on refunding	1,811,760	2,061,658
Bond issuance costs	631,891	631,891
Accumulated amortization, bond issuance costs	<u>(257,915)</u>	<u>(206,332)</u>
Long-term liabilities are not due and payable in the current period and are not reported in the funds. See Note 6 for detail.	<u>(9,999,294)</u>	<u>(11,498,223)</u>
Net assets of governmental activities (from pages 11 and 12)	<u>\$ 64,657,621</u>	<u>\$ 61,587,112</u>

See independent auditor's report and notes to the financial statements.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Assessments	\$ -	\$ 832,818	\$ 152	\$ 2,558,318	\$ 3,391,288
Interest	29,692	159,806	833,702	175,923	1,199,123
Other government agency aid	-	-	950,071	-	950,071
Miscellaneous	-	-	3,189	-	3,189
Total revenues	<u>29,692</u>	<u>992,624</u>	<u>1,787,114</u>	<u>2,734,241</u>	<u>5,543,671</u>
<b>EXPENDITURES</b>					
Current operating:					
Operations and maintenance	-	279,776	-	25,317	305,093
Agency management	-	-	603,594	-	603,594
Debt service:					
Interest and other charges	-	-	-	488,460	488,460
Capital outlays	-	-	-	-	-
Total expenditures	<u>-</u>	<u>279,776</u>	<u>603,594</u>	<u>513,777</u>	<u>1,397,147</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Principal payments on bonds	-	-	-	(1,730,000)	(1,730,000)
Market value appreciation	27	132	783	55,234	56,176
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources	<u>27</u>	<u>132</u>	<u>783</u>	<u>(1,674,766)</u>	<u>(1,673,824)</u>
Net change in fund balance	29,719	712,980	1,184,303	545,698	2,472,700
Fund balances, beginning	559,384	2,757,232	15,616,667	4,896,665	23,829,948
Fund balances, ending	<u>\$ 589,103</u>	<u>\$ 3,470,212</u>	<u>\$ 16,800,970</u>	<u>\$ 5,442,363</u>	<u>\$ 26,302,648</u>

See independent auditor's report and notes to the financial statements.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2006				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Assessments	\$ -	\$ 1,051,899	\$ 2,968	\$ 2,099,211	\$ 3,154,078
Interest	22,038	116,860	608,755	166,165	913,818
Other government agency aid	-	-	4,881,000	-	4,881,000
Miscellaneous	-	97	156,622	4,182	160,901
Total revenues	22,038	1,168,856	5,649,345	2,269,558	9,109,797
<b>EXPENDITURES</b>					
Current operating:					
Operations and maintenance	-	244,439	-	20,969	265,408
Agency management	-	-	645,267	-	645,267
Debt service:					
Interest and other charges	-	-	-	823,370	823,370
Capital outlays	-	-	242,475	-	242,475
Total expenditures	-	244,439	887,742	844,339	1,976,520
<b>OTHER FINANCING SOURCES (USES)</b>					
Principal payments on bonds	-	-	-	(5,830,000)	(5,830,000)
Market value appreciation	343	1,478	11,348	(33,323)	(20,154)
Reimbursement to taxpayers	-	-	(2,247,769)	-	(2,247,769)
Transfers in	-	-	-	4,704,050	4,704,050
Transfers out	-	(603,219)	(4,100,831)	-	(4,704,050)
Total other financing sources	343	(601,741)	(6,337,252)	(1,159,273)	(8,097,923)
Net change in fund balance	22,381	322,676	(1,575,649)	265,946	(964,646)
Fund balances, beginning	537,003	2,434,556	17,192,316	4,630,719	24,794,594
Fund balances, ending	\$ 559,384	\$ 2,757,232	\$ 15,616,667	\$ 4,896,665	\$ 23,829,948

See independent auditor's report and notes to the financial statements.

# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

## **RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Net change in fund balances - total government funds (from pages 16 and 17)	\$ 2,472,700	\$ (964,646)
Amounts reported for <i>governmental activities</i> in the Statement of Activities (page 12) are different because (See note 2 also):		
Rounding	(1)	-
Depreciation expense	(901,120)	(894,030)
Capital outlay	<u>-</u>	<u>242,475</u>
Governmental funds report capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the estimated useful life of the assets.	(901,120)	(651,555)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,730,000	5,830,000
Governmental funds do not report unamortized bond issuance costs while governmental activities record the amortization expense to allocate those discounts over the life of the bonds. This is the amount of the amortization for the year.	(51,583)	(51,583)
Governmental funds do not report unamortized loss on refunding of bonds while governmental activities allocate that loss over the life of the new bond issuance. This is the amount of the loss recognized in the current year.	(249,898)	(249,898)
Governmental funds report interest expense as the amount of financial resources used in the current year, while governmental activities report the amount of interest expense incurred in the current year. This is the amount by which interest paid exceeded accrued interest payable.	<u>70,411</u>	<u>20,070</u>
Change in net assets of governmental activities (pages 11 and 12)	<u>\$ 3,070,509</u>	<u>\$ 3,932,388</u>

See independent auditor's report and notes to the financial statements.

# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006**

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### **1. DEFINITION OF THE REPORTING ENTITY**

The San Joaquin Area Flood Control Agency (the "Agency") is the result of a joint powers agreement (JPA) between the City of Stockton ("City"), the County of San Joaquin ("County") and the San Joaquin County Flood Control and Water Conservation District ("District"). The Agency was formed May 25, 1995 for the purposes of undertaking the acquisition, construction and/or installation of improvements to flood control channels in the City and the portion of unincorporated areas of the County adjacent thereto (the "Project"), in order to provide a 100-year flood protection to these areas. The Agency is a public entity pursuant to the provisions of Articles 1-4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The basic operations of the Agency are financed as a part of the Project operations and costs. A special assessment based on total costs of the Project was assessed during the year ended June 30, 1996. This assessment will pay for Project costs and bond repayment. During the year ended June 30, 1997, an additional special assessment was approved for the continued maintenance of the flood project structures. Collections of the June 30, 1996 assessments will continue for the duration of the Project as well as to repay a bond issue for a period of approximately eighteen years. Collections of the June 30, 1997 assessment will continue until adoption of terminating resolution in order to finance the maintenance of the flood project structures.

The Agency applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect for fiscal years ending June 30, 2007) as well as the following pronouncements issued on or before November 30, 1999, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### ***Financial reporting entity***

The Agency's basic financial statements include the accounts of all Agency operations. The Agency's basic financial statements do not include operations of the associated governmental agencies involved in the joint power agency, namely, the City, the County, and the District.

#### ***Basis of Presentation – Government-Wide Accounting***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Agency as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Operating grants or contributions and capital grants or contributions are

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006**

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restricted to meeting the operational or capital requirements of a particular function. Other items not properly included are reported instead as general revenues.

#### ***Basis of Presentation - Fund Accounting***

Fund financial statements are provided for governmental funds. The Agency does not have any proprietary or fiduciary funds.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized in the year for which they are levied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

The major sources of revenues susceptible to accrual are: assessments of property owners and investment income. See Note 6 for related information.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed. See Note 3 for information describing restricted assets.

#### ***Allocation of Indirect Expenses***

The Agency allocates indirect expenses primarily comprised of administrative services to Agency Management functions. Administrative services include accounting, financial reporting, payroll, investing and cash management, personnel services, and other administrative services.

#### ***Fund Types and Major Funds***

The Agency considers all funds to be major and all are shown in the governmental fund financial statements:

*General Fund* – Accounts for project expenses, including, but not limited to, construction, consultants, and salaries.

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007 AND 2006**

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*Capital Projects Fund* - Accounts for all resources for the acquisition of capital facilities by the Agency. The Project of the Agency is to construct these facilities. The original assessment and proceeds of the bond issue are the sources of funds. Recorded income sources include assessment fees collected by the San Joaquin County Tax Collector and reimbursement from the Federal government.

*Special Revenue Fund* - Accounts for the collection of a fee that is assessed when building permits for new improvements are issued within the assessment district. The resources are used for capital improvements, retirement of bond debt, and environment costs of the Project. Proceeds of specific revenue sources, the expenditures for which are legally restricted, are recorded in the Special Revenue Fund.

*Debt Services Fund* - Accounts for the accumulation of financial resources for the payment of principal and interest on the Agency's general obligation debt. Required interest and principal payments are made according to the terms of the bond issue.

#### ***Use of Estimates***

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

### **3. ASSETS, LIABILITIES AND NET ASSETS**

#### ***Cash and Cash Equivalents***

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. At June 30, 2007 and 2006 the Agency has \$2,395,567 and \$2,311,264, respectively, in marketable securities which are not insured.

The Agency maintains a large portion of its cash in the San Joaquin County Treasury. The County pools these funds with those of other Agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by *California Government Code* Sections 53601 et seq, 53635 et seq, and 53648 et. seq.

#### ***Infrastructure Assets, Depreciation and Amortization***

The Agency's infrastructure assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Agency generally capitalizes all assets as construction outlays occur. The costs of normal maintenance

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006**

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and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Infrastructure assets are depreciated using the straight-line method over a useful life of 50 years.

#### ***Long-Term Debt, Deferred Debt Expense, and Bond Discount/Premiums***

In the government-wide financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

#### ***Reservation of Fund Balance***

The Agency records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

#### ***Net Assets***

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or that are legally restricted for specified purposes. The Maintenance and Operations Fund reserve for restricted purposes includes net assets resulting from assessments exclusively restricted for maintenance of the Project after completion. The Debt Service Fund reserve for restricted purposes includes investments for the repayments of the long term bonds payable.

## **4. EXPENDITURES AND EXPENSES**

#### ***Interest Expense***

Interest costs are incurred on the long-term bonds and a loan from the City where proceeds were used to finance the creation of the Agency and construction of infrastructure assets. In the years ended June 30, 2007 and 2006, the debt services fund incurred \$418,049 and \$803,300, respectively, of interest costs.

## **5. RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2007, the Agency has approved payments to members of the JPA for services and personnel costs of the Agency from inception to present. These payments were approved by Board resolutions at the initial setup of the Agency. These costs are accumulated in the Agency Administrative costs. Payments are made in the year following the year they are



## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

incurred. Amounts due to the related party during the fiscal years ended June 30, June 30, 2007 and 2006, were \$316,512 and \$322,638, respectively.

#### 6. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

##### *Assets*

##### *Cash in County Treasury*

The Agency maintains a large portion of its cash in the San Joaquin County Treasury as part of the common investment pool, which totaled \$23,897,402 and \$21,560,708 as of June 30, 2007 and 2006. The fair market value of this pool as of June 30, 2007, as provided by the pool sponsor, was \$23,897,402 and \$21,560,708, respectively.

The Agency is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The County is restricted by *Government Code* Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The investment policy for the San Joaquin County Treasury prohibits reverse repurchase securities and foreign investments.

##### *Deposits in State Condemnation Fund*

Deposits held by the State Condemnation Fund are uncollateralized. At June 30, 2007 and 2006, the amount on deposit was \$8,500. A summary of deposits as of June 30, 2007 and 2006, is as follows:

	2007		2006	
	Fair Value	Reporting Amount	Fair Value	Reporting Amount
Cash in County Treasury	\$ 23,897,402	\$ 23,897,402	\$ 21,560,708	\$ 21,560,708
Cash in State				
Condemnation Fund	8,500	8,500	8,500	8,500
Total deposits	<u>\$ 23,905,902</u>	<u>\$ 23,905,902</u>	<u>\$ 21,569,208</u>	<u>\$ 21,569,208</u>

Investments by the Agency in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 fair value to changes in market interest rate. As of the year end, the weighted average maturity of the investments contained in the County Treasury investment pool was approximately one year.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The County of San Joaquin issues a financial report that includes custodial credit risk disclosures for the Cash in County Treasury. The report may be obtained by writing to the San Joaquin County Treasurer, 44 North San Joaquin Street, Stockton, California 95202.

#### *Investments*

At year end, the City had the following investments and maturities:

Investment Type	2007		2006	
	Fair Value	Maturity	Fair Value	Maturity
Wells Fargo Advantage				
100% Treasury Money Market	\$ 1,022,201	N/A	\$ 77,443	N/A
Fed Farm Credit	541,921	Various	547,157	Various
Fed Home Ln	274,009	Various	268,447	Various
Fed Home Ln Bk Ser FV08	557,436	Various	571,622	Various
Fed Home Ln Bk Ser T307	-		567,884	Various
Fed Natl Mtg Assn	-		278,711	Various
Total investment	<u>\$ 2,395,567</u>		<u>\$ 2,311,264</u>	

#### *Assessments Receivable*

Assessments are collected and remitted to the County Tax Collector. The Tax Collector's office transfers the assessment amount to the Agency's fund held by the San Joaquin County Treasury.

In the governmental fund financial statements, assessments receivable are recorded in the Special Revenues Funds.

In the government-wide financial statements, assessments receivable include all amounts due to the Agency regardless of when the cash is received.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

#### *Change in Infrastructure Assets*

The following tables provide a summary of changes in infrastructure assets:

	Balance 6/30/2005	Additions	Balance 6/30/2006
Land	\$ 9,678,245	\$ -	\$ 9,678,245
Infrastructure assets	44,816,129	242,475	45,058,604
Total infrastructure assets	54,494,374	242,475	54,736,849
Accumulated depreciation	4,587,432	894,030	5,481,462
Net infrastructure assets	<u>\$ 49,906,942</u>	<u>\$ (651,555)</u>	<u>\$ 49,255,387</u>

	Balance 6/30/2006	Additions	Balance 6/30/2007
Land	\$ 9,678,245	\$ -	\$ 9,678,245
Infrastructure assets	45,058,604	-	45,058,604
Total infrastructure assets	54,736,849	-	54,736,849
Accumulated depreciation	5,481,462	901,120	6,382,582
Net infrastructure assets	<u>\$ 49,255,387</u>	<u>\$ (901,120)</u>	<u>\$ 48,354,267</u>

Depreciation Expense for the year ended June 30, 2007, was charged to functions of the government as agency management in the amount of \$901,120. Depreciation Expense for the year ended June 30, 2006, was charged to functions of the government as agency management in the amount of \$894,030.

#### *Liabilities*

##### *Accounts Payable*

Significant payables include amounts due to a related party. See Note 5 for information describing related parties. Other payable amounts are due to vendors for services rendered prior to the fiscal year-end.

##### *Long-Term Debt*

During the year ended June 30, 2003, the Agency was able to issue bonds for the remainder of the Project, with an interest rate of 2.5%. The bonds are secured by the assessments levied on parcels within the Agency. The Agency made principal payments of \$1,730,000 and \$5,830,000 during the years ended June 30, 2007 and 2006. The indenture requires the maintenance of a principal (sinking) account.

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### *Changes in Long-Term Debt*

The following is a summary of changes in long-term debt for the years ended June 30, 2007 and 2006:

	Balance 6/30/2005	Reductions	Balance 6/30/2006	Reductions	Balance 6/30/2007
Bonds	\$ 19,590,000	\$ 5,830,000	\$ 13,760,000	\$ 1,730,000	\$ 12,030,000
Premium	1,096	118	978	118	860
Deferred loss	(2,311,556)	(249,898)	(2,061,658)	(249,898)	(1,811,760)
Total	<u>\$ 17,279,540</u>	<u>\$ 5,580,220</u>	<u>\$ 11,699,320</u>	<u>\$ 1,480,220</u>	<u>\$ 10,219,100</u>

Due Within One Year	
Bonds	\$ 1,350,000
Premium	118
Deferred loss	(249,898)
Total	<u>\$ 1,100,220</u>

### *Outstanding Bonds, Maturity Dates, and Interest Rates*

	Amount of Original Issue	Range of Maturity Dates	Range of Interest Rates
Limited Obligation Bonds	\$ 22,975,000	2003-2014	2.50% - 4.30%

The annual debt service requirements to maturity for bonded debt as of June 30, 2007 are as follows:

Year Ending June 30	Maturity, net	Interest
2008	\$ 1,100,220	\$ 442,218
2009	1,115,220	397,221
2010	1,160,220	348,636
2011	1,215,220	295,421
2012	1,265,220	237,286
Thereafter	4,363,000	319,433
	<u>\$ 10,219,100</u>	<u>\$ 2,040,215</u>

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

### 7. BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

#### *Receivables and Payables*

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "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). There were no receivables/payables between funds as of June 30, 2007 and 2006.

#### *Transfers and Payments*

Transfers and payments within the reporting entity are for the purpose of subsidizing operating functions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental columns. Only transfers between the columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

	2007		2006	
	Transfers From	Transfers To	Transfers From	Transfers To
Capital projects fund	\$ -	\$ -	\$ 4,100,831	\$ -
Debt service fund	-	-	-	4,704,050
Special revenue fund	-	-	603,219	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,704,050</u>	<u>\$ 4,704,050</u>

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## BUDGET TO ACTUAL COMPARISON STATEMENTS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007					
	Special Revenue			Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Assessment	\$ 1,506,750	\$ 832,818	\$ (673,932)	\$ -	\$ 152	\$ 152
Government agencies	-	-	-	-	950,071	950,071
Miscellaneous	-	-	-	-	3,189	3,189
Total revenues	<u>1,506,750</u>	<u>832,818</u>	<u>(673,932)</u>	<u>-</u>	<u>953,412</u>	<u>953,412</u>
<b>EXPENDITURES</b>						
Maintenance and operations	479,750	279,776	199,974	-	-	-
Administrative costs	4,000	-	4,000	940,000	603,594	336,406
Real property acquisition costs	-	-	-	15,000	-	15,000
Engineering & construction management costs	-	-	-	350,000	-	350,000
Undesignated construction contingencies	-	-	-	10,000,000	-	10,000,000
Reserves/emergencies	2,750,000	-	2,750,000	-	-	-
Total expenditures	<u>3,233,750</u>	<u>279,776</u>	<u>2,953,974</u>	<u>11,305,000</u>	<u>603,594</u>	<u>10,701,406</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	905,000	-	(905,000)
Transfers out	(905,000)	-	905,000	-	-	-
Interest income	79,000	159,938	80,938	400,000	834,485	434,485
Total other financing sources (uses)	<u>(826,000)</u>	<u>159,938</u>	<u>985,938</u>	<u>1,305,000</u>	<u>834,485</u>	<u>(470,515)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,553,000)	712,980	3,265,980	(10,000,000)	1,184,303	11,184,303
Fund balances, beginning	2,600,000	2,757,231	157,231	9,450,000	15,616,667	6,166,667
Fund balances, ending	\$ 47,000	\$ 3,470,211	\$ 3,423,211	\$ (550,000)	\$ 16,800,970	\$ 17,350,970

# SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## BUDGET TO ACTUAL COMPARISON STATEMENTS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2006				
	Special Revenue		Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
<b>REVENUES</b>					
Assessment	\$ 1,450,427	\$ 1,051,899	\$ (398,528)	\$ -	\$ 2,968
Government agencies	-	-	-	-	4,881,000
Miscellaneous	-	97	97	-	156,622
Total revenues	<u>1,450,427</u>	<u>1,051,996</u>	<u>(398,431)</u>	<u>-</u>	<u>5,040,590</u>
<b>EXPENDITURES</b>					
Maintenance and operations	389,000	244,439	144,561	-	-
Administrative costs	5,000	-	5,000	850,000	645,267
Real property acquisition costs	-	-	-	20,000	242,475
Engineering & construction management costs	-	-	-	300,000	-
Undesignated construction contingencies	-	-	-	10,199,000	-
Reserves/emergencies	2,739,427	-	2,739,427	-	-
Total expenditures	<u>3,133,427</u>	<u>244,439</u>	<u>2,888,988</u>	<u>11,369,000</u>	<u>887,742</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	902,000	-
Transfers out	(902,000)	(603,219)	298,781	-	(4,100,831)
Reimbursement to taxpayers	-	-	-	-	(2,247,769)
Interest income	62,000	118,338	56,338	250,000	620,103
Total other financing sources (uses)	<u>(840,000)</u>	<u>(484,881)</u>	<u>355,119</u>	<u>1,152,000</u>	<u>(5,728,497)</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>(2,523,000)</u>	<u>322,676</u>	<u>2,845,676</u>	<u>(10,217,000)</u>	<u>(1,575,649)</u>
<b>Fund balances, beginning</b>	<u>2,600,000</u>	<u>2,434,555</u>	<u>(165,445)</u>	<u>9,686,000</u>	<u>17,192,316</u>
<b>Fund balances, ending</b>	<u>\$ 77,000</u>	<u>\$ 2,757,231</u>	<u>\$ 2,680,231</u>	<u>\$ (531,000)</u>	<u>\$ 15,616,667</u>
					<u>\$ 16,147,667</u>

## **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2007 AND 2006**

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#### **1. BUDGETARY INFORMATION**

##### ***Budget Policy and Practice***

The Agency submits an annual budget to the Board of Directors. The Board of Directors formally approves the annual budget in accordance with the by-laws established by the joint power agency agreement. The Board of Directors are to prepare and adopt a budget within the first 90 days of the fiscal year.

##### ***Basis of Budgeting***

The budget is prepared on a GAAP basis. Major Capital Asset funds and the Maintenance and Operations Fund budgets are prepared on a detail line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: Construction/Improvements, Administration, Environmental Mitigation, Annual Maintenance/Administration, Reserves/Emergencies, Construction Costs, Real Property Acquisition Costs, Engineering/Construction Management Costs, and Undesignated Construction Contingencies. Expenditures may not exceed appropriations at this level.

#### **2. NEGATIVE VARIANCES FROM BUDGETARY AMOUNTS**

The Board of Directors is not required to revise the budget for amounts exceeding the original budgetary amounts. There were no revised budgets for the Agency in the years ended June 30, 2007 and 2006.





**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***

To the Advisory Committee  
San Joaquin Area Flood Control Agency  
Stockton, California

We have audited the financial statements of the SJAFCA as of the year ended June 30, 2007 and have issued our report thereon dated March 23, 2009. 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

In planning and performing our audit, we considered the Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information and use of the Advisory Committee and Management of Jail Industries and is not intended to be and should not be used by anyone other than these specified parties. We understand, however, that this document may be a matter of public record.

*Kemper CPA Group LLP*  
Kemper CPA Group LLP  
*Certified Public Accountants and Consultants*

Stockton, California  
March 23, 2009

# **SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

## **SCHEDULE OF SIGNIFICANT DEFICIENCIES, MATERIAL WEAKNESSES AND RECOMMENDATIONS**

**JUNE 30, 2007 AND 2006**

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### **Section I - Summary of Auditor's Results**

#### *Financial Statements*

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified not considered to be material weaknesses? No

Noncompliance material to the financial statements noted? No

### **Section II - Summary of Material Weaknesses**

*Lack of review of the Agency's government-wide financial statements.* The Government-wide financials are prepared by the San Joaquin County Auditor's office, but remain the responsibility of the Agency and therefore should be reviewed by the Agency or someone designated by the Agency for correctness. There was an error in the journal entry reclassifying the payment on long-term debt causing a material misstatement of the Agency's government-wide financial statements.