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*Comprehensive*

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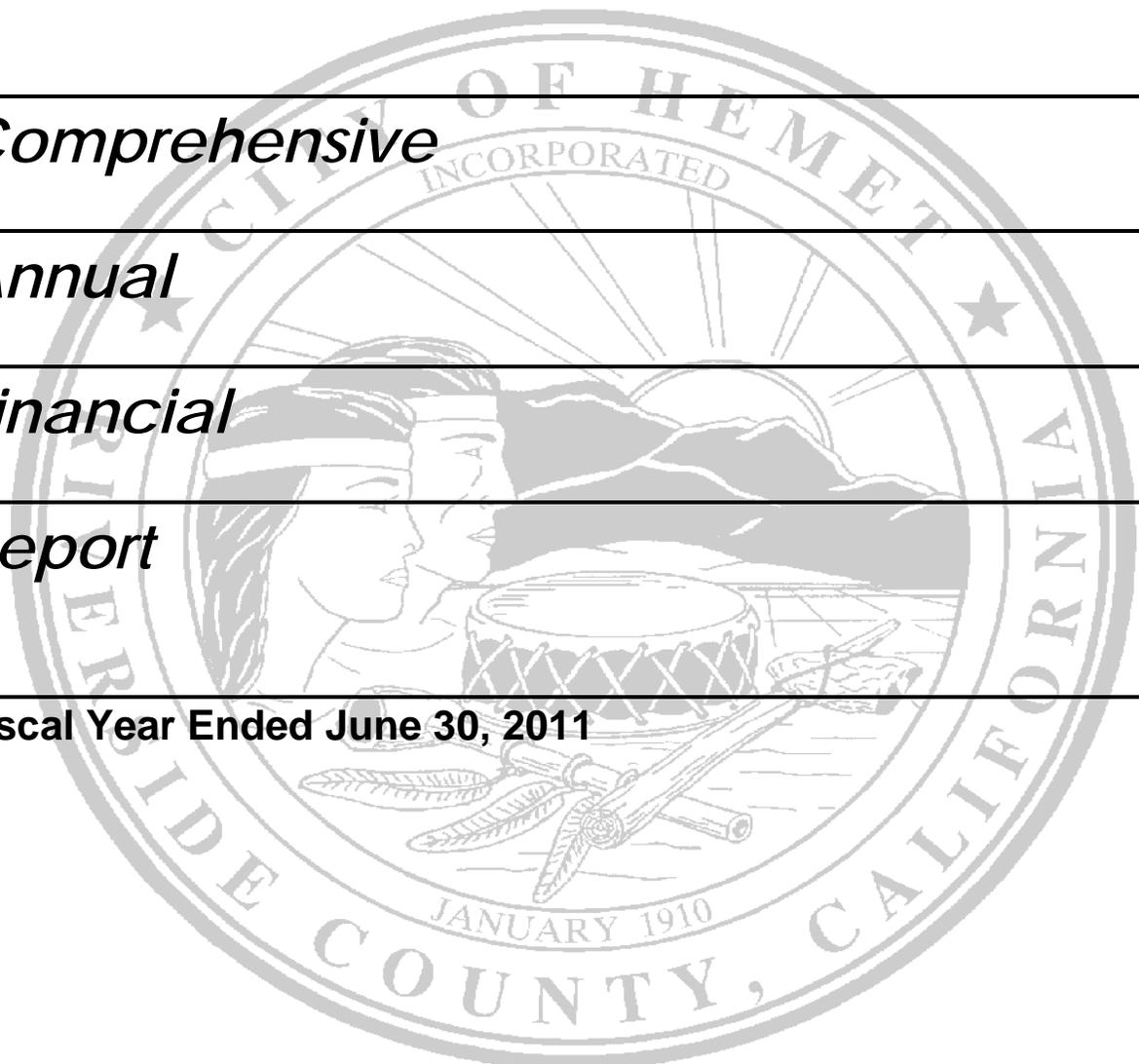
*Financial*

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*Report*

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**Fiscal Year Ended June 30, 2011**



**H** *City of*  
**emet**  
*California*



**CITY OF HEMET, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2011**



**City of Hemet**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2011**

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**City of Hemet**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2011**

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## **INTRODUCTORY SECTION**





# City of Hemet

445 EAST FLORIDA AVENUE • HEMET, CALIFORNIA 92543 • (951)765-2301

From the Office  
of the  
CITY MANAGER

May 31, 2012

To the Members of the City Council and Citizens of the City of Hemet

It is the policy of the City of Hemet to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Hemet for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets for loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Teaman, Ramirez & Smith, Inc., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011, was fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City's internal controls and legal requirement involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Hemet, incorporated in 1910, is located at the foot of the San Jacinto Mountains in the western region of Riverside County. The City currently occupies a land area of 25.97 square miles and serves a population of 80,089. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has operated under the council - manager form of government since 1910. Policy making and legislative authority are vested in a City Council consisting of the Mayor and four other council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The Mayor is selected in December by the City Council to serve a one-year term.

The City provides a full range of services, including police and fire protection, water service, the construction and maintenance of highways, streets, and other infrastructure. The City is financially accountable for a redevelopment agency and housing authority, both of which are reported separately with the City's financial statements. Additional information regarding all three of these legally separate entities can be found in the notes to the financial statements. It should be noted that, although not reflected in these reports because they occurred subsequent to the end of the reporting period, recent state legislation eliminated all redevelopment agencies in California.

The annual budget serves as the foundation for the City's financial planning and control. All internal service departments are required to submit requests for appropriations in March. The City Manager reviews the submitted budget with the internal service departments and the finance department. All departments of the City are required to submit requests for appropriation to the City Manager in April. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents recommendations in the form of a proposed budget to the entire council for review prior to the final City Council meeting in June. The Council is required to hold public meetings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may approve transfers of appropriations within a department up to \$50,000. Transfers of appropriations between departments and funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

## **LOCAL ECONOMY**

The City of Hemet's fiscal condition at the end of 2010-11 reflected the continued downturn in the national and state economies, with the exception of an unexpected increase in sales tax being the only bright spot.

General Fund revenues (adjusted for duplication of general fund overhead) for FY 2010-2011 overall were approximately \$400,000 higher than the previous fiscal year (and \$1.8 million higher than budgeted for FY 2010-11). Sales tax, the largest single revenue source in the General Fund, increased from \$7.3 million in fiscal year 2009-2010 to \$9 million for the year just ended (an increase of approximately \$1.7 million). Prior to 2010-2011, sales tax declined from \$8.1 million in fiscal year 2008-2009 to \$7.3 million in 2009-2010.

Development fees, which are most directly affected by the continued decline of the housing and construction markets, remained virtually unchanged from \$2.07 million in 2009-2010 to just under \$2 million for the year ended June 30, 2011. This marks the first time in three years that there has not been a significant decline in this revenue category. Development fees dropped from \$2.9 million in 2008-2009 to \$2.1 million in 2009-2010.

Property taxes decreased by just under \$1 million from \$4.9 million in 2009-2010 to \$4.5 million in 2010-2011. However this was a much less dramatic change when property taxes declined from \$5.8 million in 2008-2009 to \$4.9 million in 2009-2010. Continued problems with foreclosure and falling real estate prices will most likely result in even lower collections in future years.

In the prior year, 2009-2010, the City recognized the potential shortfalls early, and froze or eliminated over 24 positions by mid-year. However, by the end of FY 2009-2010 the City had drained its remaining reserve of approximately \$2.5 million. 2010-2011 started with an unassigned fund balance of just \$332,000. In FY 2010-2011, the city closed a \$5 million budget deficit with a combination of one-time use of excess fund balances in the workers comp and medical/dental funds, gained approximately \$2.1 million in employee concessions, and accepted the Federal FEMA "S.A.F.E.R" grant to retain 9 positions in the Fire Department and add an additional 3 to act as floater and reduce overtime. Actual expenses in the General Fund and transfers out came in about \$94,000 under the amended budget and actual revenues came in about \$1.8 million higher than budgeted.

The City's Refuse Fund posted an operating loss of \$489,327 at the end of FY 2010-2011. Subsequent to the reporting period the City entered into a franchise agreement with a private hauler, thereby eliminating the City run operation. The City's Water fund ended 2010-2011 with an operating gain of approximately \$291,152. The City is in the process of analyzing its water rates and subsequent to the reporting period the City entered into a four-agency ground water management plan which will increase annual water operations costs by approximately \$1 million.

City bonded redevelopment debt maintains an "A-" rating from both Standard & Poors, and Fitch Ratings.

## **LONG-TERM FINANCIAL PLANNING**

The unassigned fund balance at June 30, 2011 in the General Fund is \$1.6 million. Subsequent to the reporting period the City entered into a franchising agreement for refuse services which resulted in an increase of approximately \$12 million to the General Fund reserve. Because of the extremely volatile nature of today's economy, the City Manager and the Finance Department are closely monitoring revenue and expenditure trends.

#### **OTHER RELEVANT FINANCIAL POLICIES**

The Communities Facilities District (CFD) set up to fund public safety services for new development currently consists of 21 tracts which encompasses 1,772 parcels. Of the 1,772 parcels, 1,599 have met the taxable criteria and these parcels were assessed for a total of \$396,197 in FY 2010-11.

#### **MAJOR INITIATIVES**

The City continues to focus on infrastructure improvements. The most significant infrastructure project completed in FY 2011 was the 2006 Citywide Street Rehabilitation project. This project totaled over \$7.3 million. The Sanderson Avenue Widening and Street Improvement project was also completed with a cost of just under \$3 million.

#### **ACKNOWLEDGMENTS**

The preparation of the City's Comprehensive Annual Financial Report is an undertaking of the Finance Department. The report was made possible by the dedicated service of the entire staff of the Finance Department and the City's independent auditor. Special recognition is due to our Accounting Manager, Lorena Rocha, who handled this project as well as many others in the midst of staffing shortages. Thanks also to Vao Helsham, Administrative Assistant; as well as the entire Finance Department Staff. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report.

Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hemet's finances.

Respectfully Submitted,



Brian Nakamura  
City Manager



Rita Conrad  
Deputy City Manager/Administrative Services

## **FINANCIAL SECTION**



Independent Auditors' Report

The Honorable City Council  
City of Hemet, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hemet, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the City for the year ended June 30, 2010 and was audited by other auditors whose report dated June 7, 2011, expressed an unqualified opinion on those statements.

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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, 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.

As discussed in Note 7 to the financial statements, there have been recent changes in legislation affecting redevelopment agencies in the State of California which requires the dissolution of redevelopment agencies as of February 1, 2012, including the Hemet Redevelopment Agency.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hemet's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements and schedules listed in the "Supplementary Information" section in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Teaman Ramirez & Smith, Llc.*

May 30, 2012

## CITY OF HEMET Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the City of Hemet provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and a supplementary section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the water and refuse system.
  - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# CITY OF HEMET

## Management's Discussion and Analysis

Figure A-1  
Major Features of the City's Government-wide and Fund Financial Statements

	<u>Fund Statements</u>			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> <li>• Statement of changes in fiduciary assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## CITY OF HEMET Management's Discussion and Analysis

### Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and their changes. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases* and *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for these funds.

### Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type

**CITY OF HEMET**  
**Management's Discussion and Analysis**

activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A summary of the government-wide *statement of net assets* follows:

Table 1  
Net Assets  
(in Millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 77.0	\$ 72.2	\$ 13.7	\$ 13.0	\$ 90.7	\$ 85.2
Capital assets	332.6	336.7	6.1	7.3	338.7	344.0
Total assets	\$ 409.6	\$ 408.9	\$ 19.8	\$ 20.3	\$ 429.4	\$ 429.2
Long-term debt outstanding	\$ 19.2	\$ 17.9	\$ 1.0	\$ 1.5	\$ 20.2	\$ 19.4
Other liabilities	<u>10.8</u>	<u>11.3</u>	<u>3.2</u>	<u>3.2</u>	<u>14.0</u>	<u>14.5</u>
Total liabilities	\$ 30.0	\$ 29.2	\$ 4.2	\$ 4.7	\$ 34.2	\$ 33.9
Net assets:						
Invested in capital assets, net of debt	\$ 320.3	\$ 323.3	\$ 4.6	\$ 5.3	\$ 324.9	\$ 328.6
Restricted	58.7	32.1	-	-	58.7	32.1
Unrestricted	0.3	24.3	11.0	10.3	11.3	34.6
Total net assets	<u>\$ 379.3</u>	<u>\$ 379.7</u>	<u>\$ 15.6</u>	<u>\$ 15.6</u>	<u>\$ 394.9</u>	<u>\$ 395.3</u>

**CITY OF HEMET**  
**Management's Discussion and Analysis**

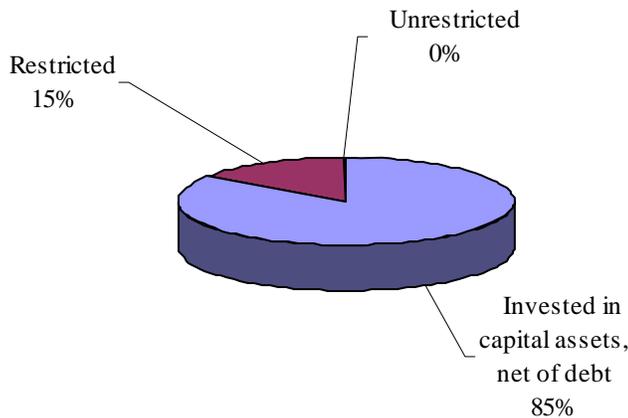
A summary of the government-wide *statement of activities* follows:

Table 2 Changes in net Assets (in Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 13.6	\$ 12.3	\$ 17.4	\$ 18.2	\$ 31.0	\$ 30.5
Operating grants/contributions	3.5	6.6	-	-	3.5	6.6
Capital grants/contributions	8.7	6.3	-	-	8.7	6.3
General revenues:						
Property taxes	10.6	12.0	-	-	10.6	12.0
Other taxes	16.6	15.0	-	-	16.6	15.0
Other general revenues	0.6	0.5	0.1	(0.6)	0.7	(0.1)
Total revenues	<u>\$ 53.6</u>	<u>\$ 52.7</u>	<u>\$ 17.5</u>	<u>\$ 17.6</u>	<u>\$ 71.1</u>	<u>\$ 70.3</u>
<b>Program expenses</b>						
General government	\$ 0.9	\$ 1.5	\$ -	\$ -	\$ 0.9	\$ 1.5
Public safety	27.3	27.5	-	-	27.3	27.5
Community development	7.3	7.1	-	-	7.3	7.1
Public works	12.4	13.3	-	-	12.4	13.3
Sanitation	2.4	1.9	-	-	2.4	1.9
Parks and library	2.5	2.9	-	-	2.5	2.9
Interest on long-term debt	0.8	0.9	-	-	0.8	0.9
Water and refuse	-	-	17.6	16.7	17.6	16.7
Total expenses	<u>\$ 53.6</u>	<u>\$ 55.1</u>	<u>\$ 17.6</u>	<u>\$ 16.7</u>	<u>\$ 71.2</u>	<u>\$ 71.8</u>
Excess (deficiency) before special items and transfers	\$ -	\$ (2.4)	\$ (0.1)	\$ 0.9	\$ (0.1)	\$ (1.5)
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Net Assets	<u>\$ 379.3</u>	<u>\$ 382.1</u>	<u>\$ 15.7</u>	<u>\$ 14.6</u>	<u>\$ 395.0</u>	<u>\$ 396.6</u>
Ending Net Assets	<u>\$ 379.3</u>	<u>\$ 379.7</u>	<u>\$ 15.6</u>	<u>\$ 15.6</u>	<u>\$ 394.9</u>	<u>\$ 395.3</u>

**CITY OF HEMET**  
**Management's Discussion and Analysis**

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities decreased by less than one percent (\$379.6 million compared to \$379.7 million, as stated) in 2011. *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 96.7 percent (\$0.8 million compared to \$24.3 million) in 2011. This change is mainly due to the new GASB 54 which changes the way fund balances are states. The net assets of the City's business-type activities remained at the same level of \$15.6 million in 2010 and 2011. The net assets (financial position) of the City changed as a result of the revenue and expense fluctuations described below for the governmental and business-type activities of the City.

Total Net Assets – Governmental Activities



Governmental Activities

Revenues for the City's governmental activities saw an increase in the 2011 year of nearly 2% (\$1 million). The major categories contributing to this revenue increase were tax revenues and capital grants and contributions in public works. Expenses in governmental activities saw a decrease of \$1.4 million. Further discussion related to expenses can be found in the major funds section of this analysis. The cost of all *governmental* activities this year was \$53.6 million. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through property and other taxes was only \$26.5 million because some of the cost was paid by those who directly benefited from the programs (\$13.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.2 million).

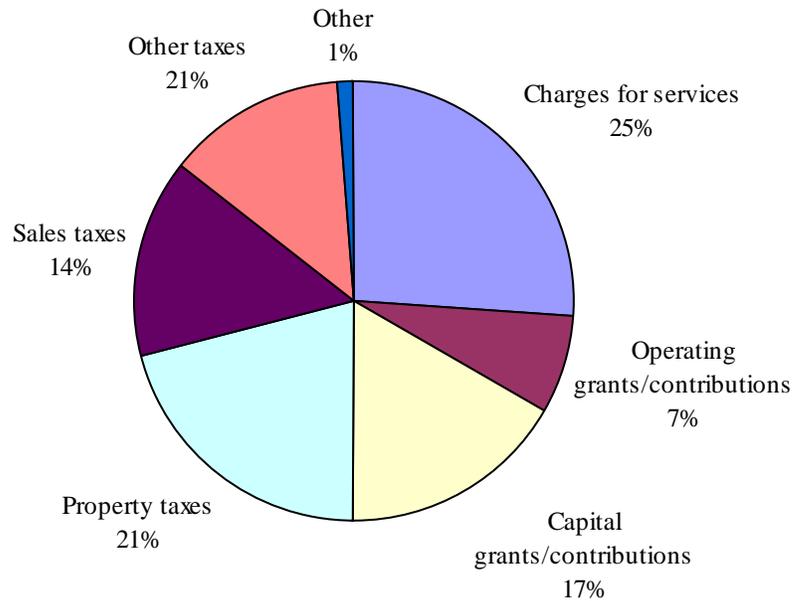
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- General fund property tax revenue decreased as compared to the 2010 year with a decrease of \$1.4 million. Although the continuing problems in the housing market and decreased home values played an important role in this decrease, it is important to note that this decrease was smaller than in previous years.

**CITY OF HEMET**  
**Management's Discussion and Analysis**

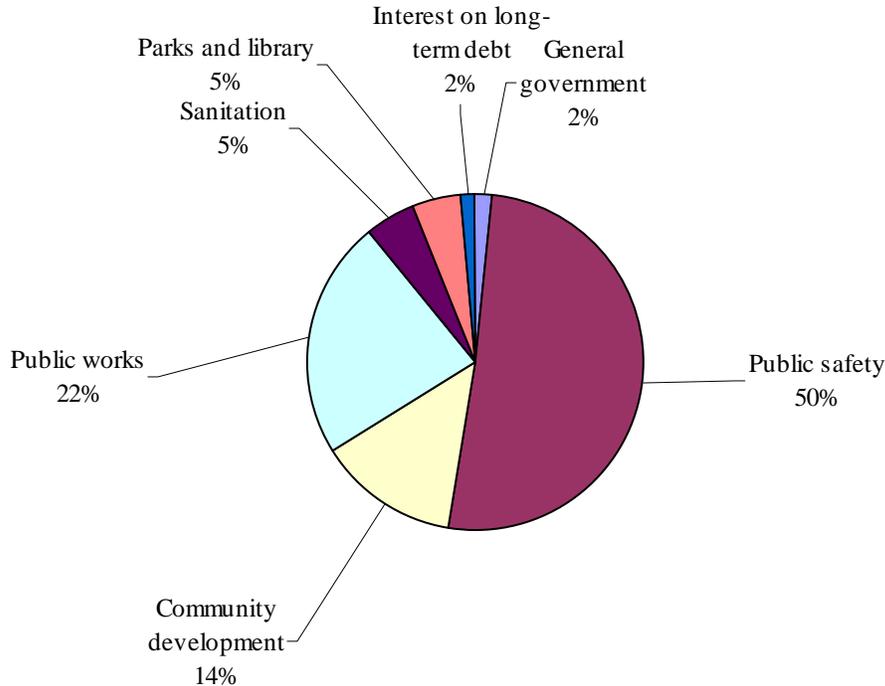
- General fund sales tax revenue increased by nearly \$1.7 million compared to the 2010 year. This increase is led by increases in auto and discount department store sales, our number one and two sales tax producers, respectively.
- General fund community development charges for services and license and permit revenues saw a reduction totaling \$100,533. This reduction is due to the down turn in residential development and a continuing downturn the housing market during this fiscal period.
- Governmental activities expenditures related to public safety decreased \$133,843. This decrease is a result of the City's continued efforts to reduce costs in anticipation of the decrease in revenues due to the slow economy.
- General fund parks and library also saw a reduction in expenditures of \$345,425. This decrease was the result of a continued freeze on vacant positions and cost saving measures implemented through employee negotiations.

Revenues by Source – Governmental Activities



**CITY OF HEMET**  
**Management's Discussion and Analysis**

Expenses by Function – Governmental Activities



Business-Type Activities

Revenues of the City's business-type activities decreased by \$854,174 (\$17.4 million in 2011 compared to \$18.2 million in 2010) and operating expenses increased by \$912,891.

The reasons for significant changes in the revenues and expenses of the City's business-type activities from the prior year are as follows:

- The City's revenues related to its business-type activities are primarily charges for services. Due to the decrease in development in the City as well as a high volume of foreclosures charges for services revenue for the refuse department decreased 6.2% from the prior year.
- Water commodity and base fees, components of charges for services, showed a decrease of 2.1%, which is attributed to the increase in foreclosures and therefore vacancies. Because the water department has fixed boundaries, the City does not see significant growth in its customer base.
- Operating expenses for the water enterprise increased by \$304,447 in the current fiscal year. The increase is a result of necessary repairs to City wells used to provide an adequate water supply to the City residents.
- Operating expenses for the refuse enterprise had a slight decrease of \$10,721 in 2011. The majority of this is attributed to the cost containing measures mentioned above which included reductions in personnel, contracts and vehicle maintenance where possible.

**CITY OF HEMET**  
**Management's Discussion and Analysis**

**MAJOR FUNDS**

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

**Major Governmental Funds.** The **General Fund** is the chief operating fund of the city. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,678,714, while total fund balance was \$2.7 million. Fund balance increased \$124,429 in 2011 mainly due to a small increase in sales tax and a decrease in expenditures. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents less than 6 percent of total general fund expenditures, while total fund balance represents 9 percent of that same amount.

The reasons for changes in the revenues and expenditures of the City's General Fund from the prior year are as follows:

- General Fund revenues increased \$1.3 million from 2010. Of this amount, tax revenues increased by \$895,704 which was a combination of sales tax collections and property taxes. Licenses and permits had an increase of \$812,158 this year.
- General Fund expenditures decreased nearly \$1 million from 2010. Public safety, community development and the library expenditures decreased as planned in the budget process.
- Public safety expenditures decreased \$2 million from 2010 as a result of the City's continued cost cutting efforts.
- Library expenditures decreased by \$204,321 compared to 2010. The majority of this decrease was due to cost cutting measures which included the continued closure of the library one additional day per week.
- Community development expenditures increased by \$729,196. This increase was mainly due to an increase in code enforcement expenses generated by the large amount of vacant and foreclosed homes within the City.

**Major Special Revenue Fund.** The Hemet Redevelopment Agency's Low and Moderate Income Housing fund receipts the Agency's 20% set aside funds to conduct housing activities. The fund balance has decreased \$2 million in 2011. This decrease is because the agency has purchased several properties intended for future low and moderate income housing use. Tax increment received in this fiscal year totaled \$2.1 million. Expenditures consisted of supporting housing services consultants in the Hemet area, senior home repair, board ups and clean up of vacated housing areas, and purchase of foreclosed homes. Funds totaling \$635,000 were transferred out to support the housing and code enforcement activities conducted in the General Fund.

**Major Debt Service Funds.** The Hemet Redevelopment Agency consists of five project areas that were formed as specific geographic areas within the City of Hemet. Fund balance increased by \$669,859 in 2011. This increase is a result of a large decrease in expenditures in 2011. Tax increment received in the debt service funds for these areas totaled \$4 million this fiscal year. The Redevelopment debt issues consist of tax allocation bonds. Funds totaling \$1.3 were moved as a transfer out to the correlating capital projects funds to account for a redevelopment administration and economic development.

**Major Capital Project Funds.** The Bridges/Streets/Traffic Facilities fund accounts for Capital improvement projects to build new or renovate existing Bridges, Streets, and Traffic lights identified in the development impact fee report and funded through developer contributions.

**CITY OF HEMET**  
**Management's Discussion and Analysis**

Fund balance increased by \$1.8 million in 2011. The majority of the increase was due TUMF reimbursements to the City on qualified projects.

**Major Enterprise Funds.** Total net assets of the **Water Fund** at the end of the year amounted to \$13.6 million and those for the **Refuse Fund** amounted to just under \$2 million. The **Water Fund** had an increase in net assets totaling \$524,136, and the **Refuse Fund** had a decrease in net assets totaling \$488,124. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGET**

The slow economy has continued to affect General Fund revenues. However, we did see a slight increase in sales tax revenues. Major deviations between the final budget of the General Fund and its actual operating results were as follows:

- Tax revenues exceeded budget expectations by \$1.8 million in 2011. This was primarily due to an increase in sales tax and a smaller drop in property tax revenues.
- License and permit exceeded budget expectations by \$338,802 in the current fiscal year. The major revenues affecting this revenue category were building permits and business licenses.
- General Fund expenditures came in under budget in the current fiscal year. Careful monitoring of the budget and cost cutting measures implemented by all departments city wide contributed to these savings.

The deviations in revenue have caused the City to take a closer look at its liquidity and begin to prioritize future government services.

**CAPITAL ASSETS**

Capital Assets  
(net of depreciation, in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 11.84	\$ 11.84	\$ 0.03	\$ 0.03	\$ 11.87	\$ 11.87
Rights of way	188.00	188.00	-	-	188.00	188.00
Buildings and improvements	16.82	17.49	4.46	5.58	21.28	23.07
Machinery and equipment	4.17	5.34	1.63	3.47	5.80	8.81
Infrastructure	111.51	105.28	-	-	111.51	105.28
Construction in progress	<u>2.07</u>	<u>8.78</u>	<u>-</u>	<u>-</u>	<u>2.07</u>	<u>8.78</u>
Total	<u>\$334.41</u>	<u>\$336.73</u>	<u>\$ 6.12</u>	<u>\$ 9.08</u>	<u>\$340.53</u>	<u>\$345.81</u>

**CITY OF HEMET**  
**Management's Discussion and Analysis**

The most significant City infrastructure project completed in 2011 was the 2006 Citywide Street Rehabilitation Project. This project totaled over \$7 million. Additional information on the City's capital assets can be found in the notes to the financial statements. (Note 5-Changes in Capital Assets)

**LONG-TERM DEBT**

At the end of the current fiscal year, the City had bonded debt outstanding of \$14,090,000. The City's total debt decreased by \$390,000 during the current fiscal year.

Capital leases outstanding in the Enterprise funds at the end of the current fiscal year amount to \$1,502,653. The net adjustments to long-term debt for claims payable and compensated absences were an increase of \$846,721 and an increase of \$9,008 respectively.

	Outstanding Debt (in thousands)					
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Certificates of participation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	14,090	14,480	-	-	14,090	14,480
OPEB	5,378	3,557	-	-	5,378	3,557
Compensated absences	2,485	2,492	289	273	2,774	2,765
Claims Payable	1,887	1,040	-	-	1,887	1,040
Capital Leases	<u>-</u>	<u>-</u>	<u>1,502</u>	<u>1,972</u>	<u>1,502</u>	<u>1,972</u>
Total	<u>\$23,840</u>	<u>\$21,569</u>	<u>\$1,791</u>	<u>\$2,245</u>	<u>\$25,631</u>	<u>\$23,814</u>

**CITY OF HEMET**  
**Management's Discussion and Analysis**

City bonded redevelopment debt maintains an “A-” rating from Standard & Poor’s and Fitch Ratings.

Additional information on the City’s long-term debt can be found in the notes to the accompanying financial statements. (Note 6-Long Term Liability)

Contacting the City’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director’s Office, at City of Hemet, 445 E. Florida Avenue, Hemet, California 92543.

## **BASIC FINANCIAL STATEMENTS**



**City of Hemet**  
**Statement of Net Assets**  
June 30, 2011

	<b>Governmental</b>	<b>Business-type</b>	<b>Totals</b>	
	<b>Activities</b>	<b>Activities</b>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>				
Cash and Investments	\$ 62,214,367	\$ 5,727,451	\$ 67,941,818	\$ 67,847,165
Receivables:				
Accounts	1,494,275	2,794,035	4,288,310	3,899,786
Taxes	-	-	-	158,511
Interest	483,055	-	483,055	405,776
Due from Other Governments	5,213,358	152,475	5,365,833	2,873,393
Inventories	81,326	-	81,326	102,135
Prepaid Items	18,762	5,399	24,161	12,470
Notes Receivable	11,479,115	-	11,479,115	10,756,037
Allowance for Forgivable Notes	(4,828,058)	-	(4,828,058)	(4,680,882)
Internal Balances	(4,996,573)	4,996,573	-	-
Land Held for Resale	4,227,273	-	4,227,273	3,853,773
Capital Assets:				
Land	11,839,690	32,975	11,872,665	11,872,665
Rights of Way	188,002,321	-	188,002,321	188,002,321
Construction in Process	2,066,219	-	2,066,219	8,779,787
Other Capital Assets, Net	132,504,484	6,093,923	138,598,407	135,322,920
Total Assets	<u>409,799,614</u>	<u>19,802,831</u>	<u>429,602,445</u>	<u>429,205,857</u>
<b>LIABILITIES</b>				
Accounts Payable	2,539,748	364,960	2,904,708	3,532,901
Accrued Salaries and Benefits	787,620	91,613	879,233	842,157
Accrued Liabilities	481,733	5,399	487,132	399,776
Deposits	2,526,632	1,723,465	4,250,097	3,262,255
Due to Other Agencies	-	-	-	1,372,559
Arbitrage Rebate Payble	7,497	-	7,497	7,497
Accrued Interest	232,105	216,060	448,165	378,547
Unearned Revenue	-	-	-	283,222
Noncurrent Liabilities:				
Due Within One Year	4,668,162	751,926	5,420,088	4,395,078
Due in More Than One Year	19,171,856	1,040,166	20,212,022	19,419,568
Total Liabilities	<u>30,415,353</u>	<u>4,193,589</u>	<u>34,608,942</u>	<u>33,893,560</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	320,322,714	4,624,246	324,946,960	328,610,025
Restricted for:				
Community Development	24,863,135	-	24,863,135	17,628,451
Public Works	30,272,821	-	30,272,821	10,955,347
Sanitation	2,561,041	-	2,561,041	2,020,121
Libraries:				
Expendable	37,297	-	37,297	474,105
Nonexpendable	1,000,000	-	1,000,000	1,000,000
Unrestricted	327,253	10,984,996	11,312,249	34,624,248
Total Net Assets	<u>\$ 379,384,261</u>	<u>\$ 15,609,242</u>	<u>\$ 394,993,503</u>	<u>\$ 395,312,297</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Activities**  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 929,117	\$ 2,796,648	\$ 12,356	\$ 140,709
Public Safety	27,348,006	964,447	2,434,041	80,605
Community Development	7,286,644	1,117,941	965,923	1,050,701
Public Works	12,378,914	5,878,140	-	7,260,695
Sanitation	2,381,161	2,794,142	-	-
Parks	762,855	-	-	130,200
Libraries	1,786,755	52,714	90,559	55,125
Interest and Related Charges on Long-term Debt	759,573	-	-	-
<b>Total Governmental Activities</b>	<b>53,633,025</b>	<b>13,604,032</b>	<b>3,502,879</b>	<b>8,718,035</b>
<b>Business-type Activities:</b>				
Refuse	10,515,651	9,978,189	-	-
Water	7,131,813	7,403,140	-	-
<b>Total Business-type Activities</b>	<b>17,647,464</b>	<b>17,381,329</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 71,280,489</b>	<b>\$ 30,985,361</b>	<b>\$ 3,502,879</b>	<b>\$ 8,718,035</b>

General Revenues:

Taxes:

Property Taxes

Transient Occupancy Taxes

Sales Taxes

Motor Vehicle in Lieu Taxes (Unrestricted)

Franchise and Other Taxes

Investment Income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustments

Net Assets - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activites	Business-type Activities	Totals	
		2011	2010
\$ 2,020,596	\$ -	\$ 2,020,596	\$ 3,194,974
(23,868,913)	-	(23,868,913)	(24,304,233)
(4,152,079)	-	(4,152,079)	(2,686,916)
759,921	-	759,921	(3,729,118)
412,981	-	412,981	696,891
(632,655)	-	(632,655)	(424,862)
(1,588,357)	-	(1,588,357)	(1,693,998)
<u>(759,573)</u>	<u>-</u>	<u>(759,573)</u>	<u>(934,496)</u>
<u>(27,808,079)</u>	<u>-</u>	<u>(27,808,079)</u>	<u>(29,881,758)</u>
-	(537,462)	(537,462)	678,387
<u>-</u>	<u>271,327</u>	<u>271,327</u>	<u>822,543</u>
-	(266,135)	(266,135)	1,500,930
<u>(27,808,079)</u>	<u>(266,135)</u>	<u>(28,074,214)</u>	<u>(28,380,828)</u>
10,647,809	-	10,647,809	12,061,151
602,781	-	602,781	620,937
9,436,042	-	9,436,042	7,319,549
5,178,849	-	5,178,849	5,373,420
1,421,998	-	1,421,998	1,076,934
492,747	55,511	548,258	595,386
148,650	90,514	239,164	7,103
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,928,876</u>	<u>146,025</u>	<u>28,074,901</u>	<u>27,054,480</u>
120,797	(120,110)	687	(1,326,348)
379,739,067	15,573,230	395,312,297	396,638,645
<u>(475,603)</u>	<u>156,122</u>	<u>(319,481)</u>	<u>-</u>
<u>\$ 379,384,261</u>	<u>\$ 15,609,242</u>	<u>\$ 394,993,503</u>	<u>\$ 395,312,297</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2011

	Special Revenue			Capital Projects
	General Fund	Public Safety CFD	Hemet RDA Low/Mod	Redevelopment
<b>ASSETS</b>				
Cash and Investments	\$ 2,475,962	\$	\$ 5,914,852	\$ 3,391,520
Receivables:				
Accounts	560,156	14,035	10,599	1,052
Tax	-	-	-	-
Interest	169,644	-	146,438	-
Due from Other Governments	1,687,588	-	-	-
Due from Other Funds	-	-	-	-
Inventories	300	-	-	-
Prepaid Items	18,762	-	-	-
Advances to Other Funds	1,000,000	-	-	-
Notes Receivable	-	-	3,367,634	168,309
Allowance for Forgivable Notes	-	-	(1,099,038)	-
Land Held for Resale	-	-	1,482,500	2,208,773
Total Assets	\$ 5,912,412	\$ 14,035	\$ 9,822,985	\$ 5,769,654
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 147,326	\$	\$ 45,822	\$ 9,013
Accrued Salaries and Benefits	550,133	15,563	13,218	17,145
Accrued Liabilities	117,171	-	-	191
Deposits	1,962,095	-	5,733	-
Due to Other Agencies	-	-	-	-
Due to Other Funds	180,617	614,200	63,706	2,621,542
Deferred Revenue	257,594	-	2,412,035	-
Arbitrage Rebate Payable	-	-	-	7,497
Advances from Other Funds	-	1,000,000	-	-
Total Liabilities	3,214,936	1,629,763	2,540,514	2,655,388
Fund Balances:				
Nonspendable	1,018,762	-	-	-
Restricted	-	-	7,282,471	3,114,266
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,678,714	(1,615,728)	-	-
Total Fund Balances	2,697,476	(1,615,728)	7,282,471	3,114,266
Total Liabilities and Fund Balances	\$ 5,912,412	\$ 14,035	\$ 9,822,985	\$ 5,769,654

The accompanying notes are an integral part of this statement.

Capital Projects Bridges/Streets/ Traffic Facilities	Debt Service Redevelopment	Other Governmental Funds	Total Governmental Funds	
			2011	2010
\$ 5,633,352	\$ 7,380,867	\$ 30,619,675	\$ 55,416,228	\$ 51,625,523
-	22,499	880,420	1,488,761	1,369,514
-	-	-	-	158,511
-	-	166,973	483,055	405,776
1,000,000	-	2,525,770	5,213,358	2,695,137
-	-	-	-	2,682,777
-	-	-	300	300
-	-	-	18,762	7,071
-	-	354,137	1,354,137	1,354,137
-	-	7,943,172	11,479,115	10,756,037
-	-	(3,729,020)	(4,828,058)	(4,680,882)
-	-	536,000	4,227,273	3,853,773
<u>\$ 6,633,352</u>	<u>\$ 7,403,366</u>	<u>\$ 39,297,127</u>	<u>\$ 74,852,931</u>	<u>\$ 70,227,674</u>
\$ 80,410	\$ -	\$ 1,803,493	\$ 2,086,064	\$ 2,465,409
4,090	-	92,949	693,098	740,323
-	364,371	-	481,733	317,886
475,603	-	83,201	2,526,632	1,616,811
-	-	-	-	1,372,559
-	-	1,516,508	4,996,573	2,682,779
-	-	185,300	2,854,929	283,222
-	-	-	7,497	7,497
-	-	354,137	1,354,137	1,354,137
<u>560,103</u>	<u>364,371</u>	<u>4,035,588</u>	<u>15,000,663</u>	<u>10,840,623</u>
-	-	1,354,137	2,372,899	1,361,508
6,073,249	7,038,995	28,450,803	51,959,784	51,720,080
-	-	-	-	-
-	-	6,308,542	6,308,542	6,308,542
-	-	(851,943)	(788,957)	(3,079)
<u>6,073,249</u>	<u>7,038,995</u>	<u>35,261,539</u>	<u>59,852,268</u>	<u>59,387,051</u>
<u>\$ 6,633,352</u>	<u>\$ 7,403,366</u>	<u>\$ 39,297,127</u>	<u>\$ 74,852,931</u>	<u>\$ 70,227,674</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2011

Fund Balances of Governmental Funds	\$	59,852,268
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		334,270,811
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,854,929
Long-term debt and compensated absences that have not been included in the governmental fund activity.		
Other Post Employment Benefits		(5,378,000)
Compensated Absences		(2,485,006)
Bonds Payable		(14,090,000)
Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental funds.		(232,105)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.		4,591,364
Net Assets of Governmental Activities	\$	379,384,261

The accompanying notes are an integral part of this statement.

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**City of Hemet**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2011

	Special Revenue			Capital Projects
	General Fund	Public Safety CFD	Hemet RDA Low/Mod	Redevelopment
<b>REVENUES</b>				
Taxes	\$ 16,001,944	\$ -	\$ 2,108,195	\$ -
Licenses and Permits	2,175,102	-	-	-
Intergovernmental Revenues	5,671,926	-	-	-
Charges for Services	3,991,289	375,429	-	-
Fines and Forfeitures	600,126	-	-	-
Investment Income	148,466	-	37,866	6,312
Miscellaneous	133,406	-	-	-
	<u>28,722,259</u>	<u>375,429</u>	<u>2,146,061</u>	<u>6,312</u>
<b>EXPENDITURES</b>				
Current:				
General Government	568,964	-	-	886,250
Public Safety	23,102,536	661,978	-	-
Community Development	3,102,697	-	1,931,799	-
Public Works	-	-	-	-
Sanitation	-	-	-	-
Parks	762,855	-	-	-
Libraries	1,306,527	-	-	-
Capital Outlay	-	-	-	51,460
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
SERAF Obligation	-	-	-	-
Fiscal - Administrative Charges	-	-	-	-
	<u>28,843,579</u>	<u>661,978</u>	<u>1,931,799</u>	<u>937,710</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(121,320)</u>	<u>(286,549)</u>	<u>214,262</u>	<u>(931,398)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,806,196	395,004	-	1,183,992
Transfers Out	(1,560,447)	-	(635,004)	-
	<u>245,749</u>	<u>395,004</u>	<u>(635,004)</u>	<u>1,183,992</u>
Net Change in Fund Balances	124,429	108,455	(420,742)	252,594
Fund Balances, Beginning	2,573,047	(1,724,183)	9,294,648	2,861,672
Prior Period Adjustments	-	-	(1,591,435)	-
Fund Balances, Ending	<u>\$ 2,697,476</u>	<u>\$ (1,615,728)</u>	<u>\$ 7,282,471</u>	<u>\$ 3,114,266</u>

The accompanying notes are an integral part of this statement.

Capital Projects Bridges/Streets/ Traffic Facilities	Debt Service		Other Governmental Funds	Total Governmental Funds	
	Redevelopment			2011	2010
\$ -	\$ 3,998,491	\$ 1,253,199	\$ 23,361,829	\$ 23,067,729	
-	-	-	2,175,102	1,362,944	
2,085,369	-	6,952,576	14,709,871	11,787,299	
249	-	7,445,165	11,812,132	12,463,783	
-	-	-	600,126	218,036	
35,246	34,867	229,990	492,747	877,213	
-	-	25,715	159,121	2,210,288	
<u>2,120,864</u>	<u>4,033,358</u>	<u>15,906,645</u>	<u>53,310,928</u>	<u>51,987,292</u>	
-	-	146,042	1,601,256	1,027,450	
-	-	1,042,819	24,807,333	25,883,216	
-	-	2,161,680	7,196,176	2,629,686	
266,404	-	5,384,647	5,651,051	6,138,428	
-	-	1,957,335	1,957,335	1,802,203	
-	-	-	762,855	824,398	
-	-	113,068	1,419,595	1,668,609	
1,125,511	-	5,232,790	6,409,761	3,495,058	
-	390,000	-	390,000	375,000	
-	697,193	-	697,193	936,923	
-	911,068	-	911,068	4,425,189	
-	3,346	-	3,346	3,348	
<u>1,391,915</u>	<u>2,001,607</u>	<u>16,038,381</u>	<u>51,806,969</u>	<u>49,209,508</u>	
<u>728,949</u>	<u>2,031,751</u>	<u>(131,736)</u>	<u>1,503,959</u>	<u>2,777,784</u>	
-	-	1,652,885	5,038,077	3,568,564	
-	(1,361,892)	(452,438)	(4,009,781)	(2,952,544)	
-	(1,361,892)	1,200,447	1,028,296	616,020	
728,949	669,859	1,068,711	2,532,255	3,393,804	
5,819,903	6,369,136	34,192,828	59,387,051	55,993,247	
(475,603)	-	-	(2,067,038)	-	
<u>\$ 6,073,249</u>	<u>\$ 7,038,995</u>	<u>\$ 35,261,539</u>	<u>\$ 59,852,268</u>	<u>\$ 59,387,051</u>	

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	2,532,255
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as an expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(2,046,532)
The net effect of various miscellaneous transactions involving capital assets (i.e., retirement) is to decrease net assets.		(199,028)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,263,494
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		390,000
Accrued interest for debt service. This is the net change in accrued interest for the current period.		(59,034)
Compensated absences and other post employment benefit expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(1,813,806)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		<u>53,448</u>
Change in Net Assets of Governmental Activities	\$	<u><u>120,797</u></u>

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**City of Hemet**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	Refuse	Water	Totals	
			2011	2010
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 431,005	\$ 5,296,446	\$ 5,727,451	\$ 10,330,475
Receivables:				
Accounts	1,201,073	1,592,962	2,794,035	2,529,432
Due from Other Funds	758,266	4,238,307	4,996,573	-
Prepaid Assets	-	5,399	5,399	5,399
Due from Other Governmental Agencies	-	152,475	152,475	177,088
Inventories	-	-	-	-
Total Current Assets	<u>2,390,344</u>	<u>11,285,589</u>	<u>13,675,933</u>	<u>13,042,394</u>
Noncurrent Assets:				
Capital Assets	9,089,185	30,996,109	40,085,294	39,477,114
Less: Accumulated Depreciation	(7,933,350)	(26,025,046)	(33,958,396)	(32,224,369)
Total Noncurrent Assets	<u>1,155,835</u>	<u>4,971,063</u>	<u>6,126,898</u>	<u>7,252,745</u>
Total Assets	<u>3,546,179</u>	<u>16,256,652</u>	<u>19,802,831</u>	<u>20,295,139</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	226,872	138,088	364,960	518,601
Accrued Salaries and Benefits	51,649	39,964	91,613	101,834
Accrued Liabilities	-	5,399	5,399	210,876
Interest Payable	-	216,060	216,060	-
Deposits	-	1,723,465	1,723,465	1,645,444
Due to Other Funds	-	-	-	-
Compensated Absences Payable	167,583	97,233	264,816	252,544
Claims and Judgments Payable	-	-	-	-
Capital Leases	345,015	142,095	487,110	469,263
Bonds Payable	-	-	-	-
Total Current Liabilities	<u>791,119</u>	<u>2,362,304</u>	<u>3,153,423</u>	<u>3,198,562</u>
Noncurrent Liabilities:				
Compensated Absences Payable	12,250	12,374	24,624	20,694
Capital Leases	729,891	285,651	1,015,542	1,502,653
Total Noncurrent Liabilities	<u>742,141</u>	<u>298,025</u>	<u>1,040,166</u>	<u>1,523,347</u>
Total Liabilities	<u>1,533,260</u>	<u>2,660,329</u>	<u>4,193,589</u>	<u>4,721,909</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	80,929	4,543,317	4,624,246	5,280,829
Unrestricted	1,931,990	9,053,006	10,984,996	10,292,401
Total Net Assets	<u>\$ 2,012,919</u>	<u>\$ 13,596,323</u>	<u>\$ 15,609,242</u>	<u>\$ 15,573,230</u>

The accompanying notes are an integral part of this statement.

**Governmental  
Activities -  
Internal Service**

2011	2010
\$ 6,798,139	\$ 5,891,167
5,514	840
-	140,351
-	-
-	1,168
81,026	101,835
<u>6,884,679</u>	<u>6,135,361</u>
3,594,268	3,594,268
(3,452,365)	(3,385,691)
<u>141,903</u>	<u>208,577</u>
<u>7,026,582</u>	<u>6,343,938</u>
453,684	548,889
94,522	76,491
-	-
-	-
-	-
-	140,351
-	-
1,887,012	1,040,291
-	-
-	-
<u>2,435,218</u>	<u>1,806,022</u>
-	-
-	-
<u>2,435,218</u>	<u>1,806,022</u>
141,903	208,577
<u>4,449,461</u>	<u>4,329,339</u>
<u>\$ 4,591,364</u>	<u>\$ 4,537,916</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
Year Ended June 30, 2011

	<b>Business-Type Activities - Enterprise Funds</b>			
	Refuse	Water	Totals	
			2011	2010
<b>OPERATING REVENUES</b>				
Charges for Sales and Services	\$ 9,978,189	\$ 7,403,140	\$ 17,381,329	\$ 18,235,503
Total Operating Revenue	<u>9,978,189</u>	<u>7,403,140</u>	<u>17,381,329</u>	<u>18,235,503</u>
<b>OPERATING EXPENSES</b>				
Personal Services	2,512,675	2,295,829	4,808,504	3,953,973
Parts and Supplies	470,559	98,885	569,444	984,049
Maintenance	1,166,094	541,839	1,707,933	1,383,386
Utilities	17,018	454,582	471,600	407,639
Water Purchases	-	49,334	49,334	21,182
Contracts, Rents and Leases	2,231,844	25,897	2,257,741	1,868,407
Insurance	109,403	67,908	177,311	-
Claims and Judgments	-	-	-	-
General Office	13,254	604,930	618,184	1,784,803
Enterprise Assessments	3,388,584	1,796,842	5,185,426	4,420,522
Depreciation	558,085	1,175,942	1,734,027	1,840,236
Total Operating Expenses	<u>10,467,516</u>	<u>7,111,988</u>	<u>17,579,504</u>	<u>16,664,197</u>
Operating Income (Loss)	<u>(489,327)</u>	<u>291,152</u>	<u>(198,175)</u>	<u>1,571,306</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	7,989	47,522	55,511	85,151
Interest Expense	(48,135)	(19,825)	(67,960)	(70,376)
Miscellaneous	90,514	-	90,514	-
Total Nonoperating Revenues (Expenses)	<u>50,368</u>	<u>27,697</u>	<u>78,065</u>	<u>14,775</u>
Income (Loss) Before Transfers and Capital Contributions	<u>(438,959)</u>	<u>318,849</u>	<u>(120,110)</u>	<u>1,586,081</u>
Transfers In	-	-	-	-
Transfers Out	-	-	-	(570,927)
Change in Net Assets	(438,959)	318,849	(120,110)	1,015,154
Total Net Assets, Beginning	2,451,878	13,121,352	15,573,230	14,558,076
Prior Period Adjustment	-	156,122	156,122	-
Total Net Assets, Ending	<u>\$ 2,012,919</u>	<u>\$ 13,596,323</u>	<u>\$ 15,609,242</u>	<u>\$ 15,573,230</u>

The accompanying notes are an integral part of this statement.

**Governmental  
Activities -  
Internal Service**

2011	2010
\$ 13,536,968	\$ 11,370,769
<u>13,536,968</u>	<u>11,370,769</u>
4,462,557	3,153,645
107,434	253,098
1,398,140	1,118,268
658,909	565,175
-	-
296,411	277,359
1,282,993	1,433,527
4,175,819	2,393,879
6,288	1,799,630
-	-
65,289	73,239
<u>12,453,840</u>	<u>11,067,820</u>
<u>1,083,128</u>	<u>302,949</u>
-	-
-	-
<u>(1,384)</u>	<u>-</u>
<u>(1,384)</u>	<u>-</u>
<u>1,081,744</u>	<u>302,949</u>
-	-
<u>(1,028,296)</u>	<u>(45,092)</u>
53,448	257,857
4,537,916	4,280,059
-	-
<u>\$ 4,591,364</u>	<u>\$ 4,537,916</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>			
	Refuse	Water	Totals	
			2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 10,120,483	\$ 7,189,391	\$ 17,309,874	\$ 18,443,004
Payments to Suppliers for Goods and Services	(5,372,949)	(2,009,525)	(7,382,474)	(6,319,924)
Payments for Interfund Services Used	(2,078,220)	(1,729,920)	(3,808,140)	(4,420,522)
Payments to Employees for Services	(2,523,108)	(2,279,414)	(4,802,522)	(3,929,854)
Net Cash Provided (Used) by Operating Activities	<u>146,206</u>	<u>1,170,532</u>	<u>1,316,738</u>	<u>3,772,704</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received From Other Funds	-	-	-	-
Cash Paid to Other Funds	(758,266)	(4,238,307)	(4,996,573)	(570,927)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(758,266)</u>	<u>(4,238,307)</u>	<u>(4,996,573)</u>	<u>(570,927)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	-	(452,059)	(452,059)	(25,887)
Principal Paid on Capital Debt	(332,375)	(136,889)	(469,264)	(452,071)
Interest Paid on Capital Debt	(48,135)	(9,242)	(57,377)	(70,376)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(380,510)</u>	<u>(598,190)</u>	<u>(978,700)</u>	<u>(548,334)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income Received	<u>7,989</u>	<u>47,522</u>	<u>55,511</u>	<u>85,151</u>
Net Cash Provided (Used) by Investing Activities	<u>7,989</u>	<u>47,522</u>	<u>55,511</u>	<u>85,151</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(984,581)	(3,618,443)	(4,603,024)	2,738,594
Cash and Cash Equivalents - Beginning of the Year	<u>1,415,586</u>	<u>8,914,889</u>	<u>10,330,475</u>	<u>7,591,881</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 431,005</u>	<u>\$ 5,296,446</u>	<u>\$ 5,727,451</u>	<u>\$ 10,330,475</u>

The accompanying notes are an integral part of this statement.

**Governmental  
Activities -  
Internal Service**

2011	2010
\$ 13,533,463	\$ 11,370,856
(7,153,669)	(8,152,964)
-	-
<u>(4,444,526)</u>	<u>(3,153,645)</u>
<u>1,935,268</u>	<u>64,247</u>
-	140,351
<u>(1,028,296)</u>	<u>(185,443)</u>
<u>(1,028,296)</u>	<u>(45,092)</u>
-	-
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>
906,972	19,155
<u>5,891,167</u>	<u>5,872,012</u>
<u>\$ 6,798,139</u>	<u>\$ 5,891,167</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Cash Flows**  
**Proprietary Funds - Continued**  
For the Year Ended June 30, 2011

	<b>Business-Type Activities - Enterprise Funds</b>			
	Refuse	Water	Totals	
			2011	2010
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (489,327)	\$ 291,152	\$ (198,175)	\$ 1,571,306
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation	558,085	1,175,942	1,734,027	1,840,236
Miscellaneous Nonoperating Revenues (Expenses)	90,514	-	90,514	-
(Increase) Decrease in Accounts Receivable	42,572	(307,175)	(264,603)	(97,821)
(Increase) Decrease in Inventories	-	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
(Increase) Decrease in Due from Other Governments	9,208	15,405	24,613	265,850
Increase (Decrease) in Accounts Payable	(54,413)	(99,228)	(153,641)	118,817
Increase (Decrease) in Accrued Payroll	(8,226)	(1,994)	(10,220)	11,847
Increase (Decrease) in Claims and Judgments Payable	-	-	-	-
Increase (Decrease) in Deposits Payable	-	78,021	78,021	39,472
Increase (Decrease) in Accrued Liabilities	-	-	-	10,725
Increase (Decrease) in Compensated Absences Payable	(2,207)	18,409	16,202	12,272
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 146,206</b>	<b>\$ 1,170,532</b>	<b>\$ 1,316,738</b>	<b>\$ 3,772,704</b>

The accompanying notes are an integral part of this statement.

**Governmental  
Activities -  
Internal Service**

2011	2010
\$ 1,083,128	\$ 302,949
65,289	73,239
-	-
(4,673)	2
20,809	5,657
-	-
1,168	85
(95,205)	81,525
18,031	-
846,721	(402,628)
-	-
-	3,418
-	-
<u>\$ 1,935,268</u>	<u>\$ 64,247</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
June 30, 2011

	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ 3,834,335	\$ 3,939,373
Accounts Receivable	42,557	6,737
Due From Other Governmental Agencies	-	-
Total Assets	\$ 3,876,892	\$ 3,946,110
<b>LIABILITIES</b>		
Accounts Payable	\$ 477,518	\$ 548,178
Deposits	3,399,374	3,397,932
Total Liabilities	\$ 3,876,892	\$ 3,946,110

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hemet, California was incorporated in 1910 as a general law City. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, refuse and recycling collection, water, sewer maintenance, public library, parks, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Hemet have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A) Description of Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the financial results for the City and its component units. Component units are entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the data of the City. The following organizations are considered to be component units of the City:

**Hemet Redevelopment Agency**

The Hemet City Council is the Board of Directors of the Hemet Redevelopment Agency. Therefore, the Agency is included within the reporting entity of the City.

The Agency, formed pursuant to Section 33000, et seq, of the California Health and Safety Code in July 1972, adopted the Hemet Redevelopment Plan in July 1982. The plan consists of 2,550 acres of largely undeveloped land in the southwest area of the City of Hemet. In June of 1989, the Agency established three additional project areas: Downtown, Weston Park, and Farmer's Fair; consisting of 90.5 acres, 163.3 acres and 78.5 acres, respectively. These project areas were merged in December 2001 to form the Merged Downtown, Farmer's Fair and Weston Park Redevelopment Project. In January 1996, the Agency established a fifth project area, Combined Commercial, consisting of 611 acres.

The Agency is empowered to pay for all or part of the value of land, cost of buildings, facilities or other improvements within the plan area. Public improvements, which are proposed as part of the redevelopment plan, include providing for adequate flood control facilities, crossing, street improvements and water, sewer, drainage, and open space facilities. Separate financial statements for the Hemet Redevelopment Agency can be obtained at City Hall.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**A) Description of Reporting Entity - Continued**

**Hemet Housing Authority**

The Hemet City Council is also the governing board of the Hemet Housing Authority; therefore the Authority is included within the reporting entity of the City. The authority was formed under the California Health and Safety Code Section 34200, et seq, to provide financing for supplying safe and sanitary dwelling accommodations to persons of low income at affordable rents. Separate financial statements are not issued for the Housing Authority.

**B) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, 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 that are properly not included among program revenues are reported instead as general revenues.

Amounts classified as "franchise and other taxes" are gross receipts based taxes and do not represent exchange-like transactions. Amounts classified as "motor vehicle in-lieu taxes" are general state revenues shared with local municipalities as "back fill" for the loss of state taxes on vehicle ownership.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. Agency funds use the accrual basis of accounting, but do not have a measurement focus.

The City reports the following major governmental funds:

General Fund

This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Public Safety CFD

This fund accounts for the financial transactions of the Public Safety CFD voted in by the citizens of those specific areas.

Hemet RDA Low/Mod

This fund accounts for the financial transactions of the low and moderate income housing fund of the Hemet Redevelopment Agency, Hemet Downtown, Hemet Weston Park, Hemet Farmer's Fair, and Hemet Combined Commercial project areas.

Redevelopment Capital Projects Fund

This fund accounts for the financial transactions of the project fund of the Hemet Redevelopment Agency, Merged Downtown, Weston Park, Farmer's Fair and the Hemet Combined Commercial Area.

Bridges/Streets/Traffic Facilities

This fund accounts for the financial transactions for bridges, streets, and traffic facilities in the development impact fee report and funded through developer contributions.

Redevelopment Debt Service Fund

This fund accounts for the financial transactions of the Hemet Redevelopment Agency, the Hemet Downtown Redevelopment Area, the Hemet Weston Park Redevelopment Area, the Hemet Farmer's Fair Redevelopment Area and the Combined Commercial Redevelopment Area.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The City reports the following major enterprise funds:

Refuse

This fund accounts for the financial transactions of the City's refuse and recycling collection service for both residential and commercial areas.

Water

This fund accounts for the financial transactions of the City's water utility service, including water production, transmission, and distribution system.

The City also reports the following fund type:

Internal Service Funds

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. These departments consist of administrative, facility maintenance, vehicle maintenance, workers' compensation, dental, vision, retiree medical and liability insurance.

Agency Funds

These funds account for resources held by the City in a trustee capacity as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds consist of the Police Activities League, pass thru fees collected for the County, payroll deposits, and a developer CFD.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are rental payments and other charges between the government's water and refuse function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the refuse and water enterprise funds, and the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost 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.

**D) Cash and Investments**

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned from pooled investments is allocated to those various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or were purchased so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash and cash equivalents in the accompanying statements include the proprietary funds' share of the cash and investment pool of the City of Hemet.

**E) Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Balances reported as due to other governments include funds under the control of other governmental agencies that are held by the City of Hemet pending remittance to the other governmental agencies.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F) Land Held for Resale**

Land held for resale represents land, structures and their related improvements that were acquired for resale in accordance with the objectives of the Redevelopment Projects. These costs will be charged to current year project expenditures when the related land and structures are sold. Land held for resale is valued at the lower of cost or expected net realizable value.

**G) Inventory and Prepaid Items**

All inventories are valued on the average cost method. Inventory in the General Fund consists of City promotional items. Inventory in the Internal Service fund consists of hardware supplies, auto shop supplies, fuel and oil. Inventory in the Enterprise fund consists of expendable supplies held for use by the water utility. All costs are recorded as an expenditure at the time the individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**H) Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years except in the case of infrastructure-related capital projects, which would only be capitalized when total project costs are expected to exceed \$50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H) Capital Assets - Continued**

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	25 - 50 years
Infrastructure	
Roadway	20 - 75 years
Storm Drain	100 years
Water System	30 years
Sewer System	30 years
Machinery and Equipment	
Vehicles	7 years
Office Equipment	5 years
Other Equipment	5 years

**I) Compensated Absences**

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

**J) Claims and Judgments**

Claims and judgments are accounted for in accordance with GASB Statement 10, which requires that expenditures for claims be recognized when it is probable that the liability has been incurred at year-end and the amount of the loss can be reasonably estimated. Accordingly, such claims are recorded as liabilities in the Internal Service Funds.

**K) Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**L) Net Assets**

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

*Invested in capital assets, net of related debt* describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**L) Net Assets - Continued**

*Restricted* describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter.

*Unrestricted* describes the portion of net assets which is not restricted to use.

**M) Fund Balances**

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the City Council by ordinance or resolution to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**M) Fund Balances - Continued**

Encumbrance accounting, under which purchase order, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Project funds. Encumbrances outstanding at year-end are reported as committed fund balances in the fund financial statements since they do not constitute expenditures or liabilities.

**N) Property Tax Calendar**

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Date	July 1 to June 30	
Due Date	November 1, 1 <sup>st</sup> Installment	February 1, 2 <sup>nd</sup> Installment
Collection Date	December 1, 1 <sup>st</sup> Installment	April 10, 2 <sup>nd</sup> Installment

The City receives from the County of Riverside a percentage of the basic 1% maximum tax rate allowed on assessments collected and allocated by the County. Property tax assessments are recognized as revenue when they become both measurable and available to finance the expenditures of the reported fiscal year. Material delinquent property taxes (net of estimated uncollectibles) are also recorded as current year receivables. Substantially all of the property taxes associated with the reported fiscal year were considered to be both measurable and available to finance expenditures of that fiscal year. When material amounts of property taxes are considered to be measurable but not available to finance the expenditures of the reported fiscal year, they are recorded as a receivable and as deferred revenue (to be recognized as revenue in the year in which they become available).

A delinquency penalty of 6% is assessed by the County of Riverside. If taxes become delinquent, they are deeded to the State and may be sold by the County Tax Collector for taxes due plus 1% per month redemption fee. All property taxes are collected by the County of Riverside and collection fees are deducted by the County before tax revenue is remitted to the City. The assessed valuation is at "full cash value".

**O) Forgivable Notes**

Certain loans have been made by the City to third parties in order to enhance the redevelopment, community development, economic development, and housing objectives of the City. Certain loans contain conditions for non-collection (after being held for a certain period of time, etc.). The City has recorded as an allowance for forgivable notes the estimate of amounts that will not be collected on these loans.

**P) Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in order to provide an understanding of changes in the financial position and operations of the funds. However, the summarized prior year data does not represent a complete presentation in accordance with generally accepted accounting principles.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P) Comparative Data/Reclassifications - Continued**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current years' presentation.

**Q) Use of Estimates**

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2) CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 67,941,818
Fiduciary Funds:	
Cash and Investments	<u>3,834,335</u>
Total Cash and Investments	<u>\$ 71,776,153</u>

Cash and Investments consist of the following:

Cash on Hand	\$ 10,059
Deposits with Financial Institutions	3,786,208
Investments	<u>67,979,886</u>
Total Cash and Investments	<u>\$ 71,776,153</u>

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

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

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**2) CASH AND INVESTMENTS - Continued**

**Investments Authorized by the California Government Code and the City's Investment Policy - Continued**

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer*
U.S. Treasury Obligations	2 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	30 days	40%	30%
Commercial Paper	180 days	15%	10%
Negotiable Certificates of Deposit	2 years	10%	None
Repurchase Agreements	30 days	10%	None
Medium-Term Notes	2 years	20%	5%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	90%	None

\*Based on state law requirements or investment policy requirements, whichever is more restrictive.

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
State Obligations	None	None	None
Pre-refunded Municipal Obligations	None	None	None
Repurchase Agreements	270 days	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**2) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Federal Agency Securities	\$ 11,500,000	\$ -	\$ -	\$ 11,500,000	\$ -
State Investment Pool (LAIF)	36,867,059	36,867,059	-	-	-
Local Government Obligations	2,140,000	-	-	2,140,000	-
Negotiable Certificate of Deposits	2,376,000	-	398,000	1,978,000	-
Money Market Funds	10,715,607	10,715,607	-	-	-
Held by Fiscal Agent:					
Money Market Funds	4,381,220	4,381,220	-	-	-
<b>Total</b>	<b>\$ 67,979,886</b>	<b>\$ 51,963,886</b>	<b>\$ 398,000</b>	<b>\$ 15,618,000</b>	<b>\$ -</b>

**Disclosures Relating to Credit Risk**

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

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**2) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Credit Risk - Continued**

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	Not Rated	SP-1
Federal Agency Securities	\$ 11,500,000	N/A	\$ 11,500,000	\$ -	
State Investment Pool - LAIF	36,867,059	N/A	-	36,867,059	
Local Government Obligations	2,140,000	N/A			2,140,000
Negotiable Certificate of Deposits	2,376,000	N/A		2,376,000	
Money Market Funds	10,715,607	AAA	10,715,607		
Held by Fiscal Agent:					
Money Market Funds	4,381,220	AAA	4,381,220	-	
<b>Total</b>	<b>\$ 67,979,886</b>		<b>\$ 26,596,827</b>	<b>\$ 39,243,059</b>	<b>2,140,000</b>

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City's investment in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are its federal agency securities investments in Fannie Mae and Federal Home Loan Bank.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**2) CASH AND INVESTMENTS - Continued**

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

**3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following represents the composition of interfund balances as of June 30, 2011:

**A) Due To / From Other Funds**

		DUE FROM					
		General Fund	Public Safety CFD	Hemet RDA Low/Mod	Redevelopment Capital Projects	Other Governmental Funds	Total
DUE TO	Refuse Fund	\$ -	\$ -	\$ -	\$ -	\$ 758,266	\$ 758,266
	Water Fund	180,617	614,200	63,706	2,621,542	758,242	4,238,307
Total		\$ 180,617	\$ 614,200	\$ 63,706	\$ 2,621,542	\$ 1,516,508	\$ 4,996,573

These were the result of routine, short-term interfund borrowing to eliminating temporary deficit cash balances.

**B) Advances To / From Other Funds**

		ADVANCES FROM		
		General Fund	Other Governmental Funds	Total
ADVANCES TO	Public Safety CFD	\$ 1,000,000	\$ -	\$ 1,000,000
	Other Governmental Funds	-	354,137	354,137
Total		\$ 1,000,000	\$ 354,137	\$ 1,354,137

The General Fund has advanced \$1,000,000 to the Public Safety CFD for new facilities. The Flood Control Facilities Fund has advanced \$354,137 to the Fire Facilities Fund for facility improvements.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**C) Interfund Transfers**

		TRANSFERS OUT					Total
		General Fund	Hemet RDA Low/Mod	Redevelopment Debt Service	Governmental Activities Internal Service	Other Governmental Funds	
TRANSFERS IN	General Fund	\$ -	\$ 600,000	\$ 177,900	\$ 1,028,296	\$ -	\$ 1,806,196
	Public Safety CFD	395,004	-	-	-	-	395,004
	Redevelopment Capital Projects	-	-	1,183,992	-	-	1,183,992
	Other Governmental Funds	1,165,443	35,004	-	-	452,438	1,652,885
	<b>Total</b>	<u>\$1,560,447</u>	<u>\$ 635,004</u>	<u>\$ 1,361,892</u>	<u>\$ 1,028,296</u>	<u>\$ 452,438</u>	<u>\$ 5,038,077</u>

During the year, interfund transfers were made for purposes of financing administrative costs, capital improvements and repayment of debt. Specifically, the following transfers were made:

The General Fund transferred \$395,004 to the Public Safety CFD Special Revenue Fund to cover operating deficits. In addition, the General Fund transferred \$1,132,958 to the LaSalle Library Endowment Fund, to establish the fund as a permanent fund.

The Hemet RDA Low/Mod Fund transferred \$600,000 to the General fund to pay for code enforcement costs.

The Redevelopment Debt Service Fund transferred \$177,900 to the General Fund to pay for administrative costs. The Redevelopment Debt Service Fund also transferred \$1,183,992 to the Redevelopment Capital Projects Fund to pay for capital improvements.

The Governmental Activities Internal Service Fund transferred \$1,028,296 to the General Fund to pay for administrative costs.

Transfers of \$452,438 were made between other governmental funds to pay for various projects.

**4) NOTES RECEIVABLE**

The City administers various residential rehabilitation and down payment assistance loan programs for low and moderate income families. In addition, the City has loaned monies to developers for affordable housing projects and entered into owner participation agreements. The loans have different stated interest rates, payback periods and may be forgivable assuming all conditions are met. These notes are long-term in nature and are recorded as notes receivable in the governmental funds balance sheet. At June 30, 2011 the outstanding balance of notes receivable totaled \$11,479,115. The balance on the loans that will be forgiven by the City, assuming all requirements are met was \$4,828,058, and is considered uncollectible. The balance of loans receivable is recorded net of the uncollectible amount in the Statement of Net Assets and the Governmental Funds Balance Sheet.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**5) CHANGES IN CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 11,839,690	\$ -	\$ -	\$ 11,839,690
Rights of Way	188,002,321	-	-	188,002,321
CIP - Infrastructure	<u>8,779,787</u>	<u>1,902,037</u>	<u>8,616,615</u>	<u>2,066,219</u>
 Total Capital Assets, Not Being Depreciated	 <u>208,621,798</u>	 <u>1,902,037</u>	 <u>8,616,615</u>	 <u>201,908,230</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	25,997,424	-	-	25,997,424
Buildings and Improvements - ISF	23,000	-	-	23,000
Machinery and Equipment	30,380,542	430,165	(684,931)	30,125,776
Machinery and Equipment - ISF	3,571,268	-	-	3,571,268
Infrastructure				
Pavement	144,636,803	9,623,168	(3,233,433)	151,026,538
Medians	163,384	-	-	163,384
Sidewalks	15,670,935	400,159	(18,565)	16,052,529
Curb and Gutter	14,957,883	935,195	(61,344)	15,831,734
Traffic Signal	5,560,612	-	-	5,560,612
Street Lights	3,858,830	-	-	3,858,830
Bridges	4,326,295	-	-	4,326,295
Street Trees	508,885	-	-	508,885
Storm Drain/Retention Basins	<u>9,877,421</u>	<u>1,311,826</u>	<u>-</u>	<u>11,189,247</u>
 Total Capital Assets Being Depreciated	 <u>259,533,282</u>	 <u>12,700,513</u>	 <u>(3,998,273)</u>	 <u>268,235,522</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,512,050)	(664,465)	-	(9,176,515)
Buildings and Improvements - ISF	(23,000)	-	-	(23,000)
Machinery and Equipment	(25,252,802)	(1,501,411)	657,233	(26,096,980)
Machinery and Equipment - ISF	(3,362,691)	(65,289)	-	(3,427,980)
Infrastructure				
Pavement	(82,442,564)	(4,873,832)	3,108,304	(84,208,092)
Medians	(24,507)	(5,446)	-	(29,953)
Sidewalks	(2,968,914)	(211,366)	7,428	(3,172,852)
Curb and Gutter	(2,631,397)	(204,859)	23,885	(2,812,371)
Traffic Signal	(2,854,485)	(184,578)	-	(3,039,063)
Street Lights	(1,416,998)	(177,479)	-	(1,594,477)
Bridges	(667,551)	(57,684)	-	(725,235)
Street Trees	-	-	-	-
Storm Drain/Retention Basins	<u>(1,273,173)</u>	<u>(151,347)</u>	<u>-</u>	<u>(1,424,520)</u>
 Total Accumulated Depreciation	 <u>(131,430,132)</u>	 <u>(8,097,756)</u>	 <u>3,796,850</u>	 <u>(135,731,038)</u>
 Total Capital Assets Being Depreciated, Net	 <u>128,103,150</u>	 <u>4,602,757</u>	 <u>(201,423)</u>	 <u>132,504,484</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 336,724,948</u>	<u>\$ 6,505,804</u>	<u>\$ (8,818,038)</u>	<u>\$ 334,412,714</u>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**5) CHANGES IN CAPITAL ASSETS - Continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 32,975	\$ -	\$ -	\$ 32,975
Total Capital Assets, Not Being Depreciated	<u>32,975</u>	<u>-</u>	<u>-</u>	<u>32,975</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	27,127,587	634,067	-	27,761,654
Machinery and Equipment	<u>12,316,552</u>	<u>-</u>	<u>(25,887)</u>	<u>12,290,665</u>
Total Capital Assets Being Depreciated	<u>39,444,139</u>	<u>634,067</u>	<u>(25,887)</u>	<u>40,052,319</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(22,427,370)	(872,346)	-	(23,299,716)
Machinery and Equipment	<u>(9,796,999)</u>	<u>(861,681)</u>	<u>-</u>	<u>(10,658,680)</u>
Total Accumulated Depreciation	<u>(32,224,369)</u>	<u>(1,734,027)</u>	<u>-</u>	<u>(33,958,396)</u>
Total Capital Assets Being Depreciated, Net	<u>7,219,770</u>	<u>(1,099,960)</u>	<u>(25,887)</u>	<u>6,093,923</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 7,252,745</u>	<u>\$ (1,099,960)</u>	<u>\$ (25,887)</u>	<u>\$ 6,126,898</u>

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

Governmental Activities:	
General Government	\$ 416,799
Public Safety	719,673
Public Works	6,422,190
Capital Outlay	106,645
Libraries	367,160
Internal Service	<u>65,289</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 8,097,756</u>
Business-type Activities:	
Refuse	\$ 558,085
Water	<u>1,175,942</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 1,734,027</u>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**6) LONG-TERM LIABILITIES**

**A) Compensated Absences**

City employees receive from twelve to thirty-three (12-33) vacation days each year depending upon length of service and bargaining group. Vacation can be accumulated up to a maximum of two years for most City bargaining units; two years plus the current year's accumulation for other units. Unused vacation may be cashed in yearly per each bargaining unit's M.O.U. limitations or upon retirement. City and police employees receive eight (8) hours of sick leave for each month of employment. Management employees accrue six (6) days of sick leave per year. City fire fighters accrue twelve (12) hours per calendar month. City general employees' right to accrue sick leave is unlimited. Used sick leave may be cashed in upon retirement at a payment percentage of 25%, 50% or 75% determined by length of continuous service and bargaining unit M.O.U.

City and police employees are allowed to accumulate compensatory leave time for unpaid overtime at 150% rate up to a forty (40) hour or eighty (80) hour maximum depending on M.O.U. limitations.

The liability for compensated absences will be funded when required, from future City operations. Accrued vacation, sick leave, and compensatory leave time at June 30, 2011 is as follows:

<b>Governmental Activities</b>	<b>Total</b>
The noncurrent portion of the governmental funds liability for accumulated vacation, sick leave and compensatory leave time is being reported on the statement of net assets. Liabilities for compensated absences are typically liquidated by the General Fund.	\$ 2,485,006
<b>Business-Type Activities</b>	
The noncurrent portion of the proprietary funds' liability for accumulated vacation, sick leave and compensatory leave time accrual is being reported in the respective proprietary fund. Liabilities for compensated absences are liquidated from the Water and Refuse funds.	289,440
	\$ 2,774,446

**B) Bonds Payable**

Subordinate Tax Allocation Bonds 1999 Series A - \$9,510,000 Hemet Redevelopment Agency Tax Allocation Bonds with interest from 4.00% to 4.75% due in annual installments of \$190,000 to \$600,000 through September 15, 2028. The bonds are payable from tax revenues. The purpose of this debt issue was the construction of the Public Library. The reserve requirement is being met by having funds held at the fiscal agent in a reserve fund. The outstanding balance as of June 30, 2011 is \$7,475,000.

Tax Allocation Bonds 2002 Series A - \$7,500,000 Hemet Redevelopment Agency Tax Allocation Bonds with interest from 3.50% to 4.20% due in annual installments of \$150,000 to \$1,050,000 through September 15, 2031. The bonds are payable from tax revenues on a parity with the Agency's pledge of such tax revenues to payment of principal and interest on the \$9,510,000 - 1999 Subordinate Tax Allocation Bonds. The purpose of this debt issue was the construction of the Public Library and completion of Fire Station Four. The reserve requirement is being met by having funds held at the fiscal agent in a reserve fund. The outstanding balance as of June 30, 2011 is \$6,615,000.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**6) LONG-TERM LIABILITIES - Continued**

**B) Bonds Payable - Continued**

A summary of principal and interest payments due on all bonds follows:

Fiscal Year Ending June 30,	1999 Subordinate Tax Allocation Bonds		2002 Tax Allocation Bond Series A	
	Principal	Interest	Principal	Interest
2012	\$ 275,000	\$ 347,474	\$ 130,000	\$ 328,150
2013	285,000	335,223	135,000	322,782
2014	300,000	322,278	145,000	316,970
2015	315,000	308,515	150,000	310,700
2016	325,000	294,034	150,000	304,100
2017	340,000	278,820	165,000	296,909
2018	355,000	262,391	170,000	289,056
2019	375,000	244,689	180,000	280,631
2020	395,000	226,016	190,000	271,494
2021	410,000	206,444	195,000	261,869
2022	430,000	185,969	210,000	251,744
2023	455,000	164,397	220,000	240,994
2024	475,000	141,728	230,000	229,744
2025	500,000	118,275	245,000	217,716
2026	520,000	94,050	255,000	204,903
2027	545,000	68,756	270,000	191,450
2028	575,000	42,156	285,000	177,228
2029	600,000	14,250	295,000	162,366
2030	-	-	950,000	130,463
2031	-	-	995,000	80,622
2032	-	-	1,050,000	27,563
Total	<u>\$ 7,475,000</u>	<u>\$ 3,655,465</u>	<u>\$ 6,615,000</u>	<u>\$ 4,897,454</u>

**C) Capital Leases**

Water Equipment \$1,088,999. Effective May 10, 2007 the City entered into a Master Lease Agreement with Suntrust Leasing Corporation for the purpose of purchasing approximately 5,580 radio-read water meters. The term of the lease is 7 years at an interest rate of 3.75% with payments due quarterly from the Water Fund. The outstanding balance of this lease at June 30, 2011 is \$427,746.

Refuse Equipment \$2,333,108. Effective May 10, 2007 the City entered into a Master Lease Agreement with Suntrust Leasing Corporation for the purpose of purchasing approximately 4,500 automated refuse containers, 7 CNG refuse collection vehicles, 1 cart delivery vehicle and 1 CNG sweeper vehicle. The term of the lease is 7 years at an interest rate of 3.75% with payments due quarterly from the Refuse Fund. The outstanding balance of this lease at June 30, 2011 is \$1,074,906.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**6) LONG-TERM LIABILITIES - Continued**

**C) Capital Leases**

The following is a summary of principal and interest payments due on all capital leases:

Fiscal Year Ending June 30,	Lease Schedule Water		Lease Schedule Refuse	
	Principal	Interest	Principal	Interest
2012	\$ 142,095	\$ 14,619	\$ 345,015	\$ 35,495
2013	147,499	9,215	358,136	22,374
2014	138,152	3,605	371,757	8,754
Total	<u>\$ 427,746</u>	<u>\$ 27,439</u>	<u>\$ 1,074,908</u>	<u>\$ 66,623</u>

**D) Summary of Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year	Remaining Years
<b>Governmental Activities:</b>						
Compensated Absences	\$ 2,492,200	\$ 2,376,150	\$ 2,383,344	\$ 2,485,006	\$ 2,376,150	\$ 108,856
Bonds Payable:						
1999 Subordinate Tax						
Allocation Bonds	7,740,000	-	265,000	7,475,000	275,000	7,200,000
2002A Tax Allocation Bonds	6,740,000	-	125,000	6,615,000	130,000	6,485,000
Claims Payable	1,040,291	2,640,734	1,794,013	1,887,012	1,887,012	-
OPEB	3,557,000	4,183,000	2,362,000	5,378,000	-	5,378,000
Total Governmental Activity						
Long-term Liabilities	<u>\$ 21,569,491</u>	<u>\$ 9,199,884</u>	<u>\$ 6,929,357</u>	<u>\$ 23,840,018</u>	<u>\$ 4,668,162</u>	<u>\$ 19,171,856</u>
<b>Business-type Activities</b>						
Compensated Absences	\$ 273,238	\$ 281,018	\$ 264,816	\$ 289,440	\$ 264,816	\$ 24,624
Capital Leases	1,971,917	-	469,265	1,502,652	487,110	1,015,542
Total Business-type Activity						
Long-term Liabilities	<u>\$ 2,245,155</u>	<u>\$ 281,018</u>	<u>\$ 734,081</u>	<u>\$ 1,792,092</u>	<u>\$ 751,926</u>	<u>\$ 1,040,166</u>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**6) LONG-TERM LIABILITIES - Continued**

**E) No Commitment Debt**

**Apartment Development and Multi-Family Housing Revenue Bonds**

In 1992 and 1999, the City issued apartment development and multi-family housing revenue bonds; the funds of which are maintained by bank trustees. These private activity bonds are not obligations of the City, and as such are not included in these financial statements. The outstanding balance on these bonds at June 30, 2011 is \$21,050,000.

**CFD No. 1999-1 Special Tax Refunding Bonds, Series 2006 (Heartland Project)**

In July 2006, the City of Hemet authorized and provided for the issuance of special tax bonds for the Community Facilities District No. 1999-1. Proceeds of these bonds are held by a fiscal agent and are being used to defease and refund the 1999-1 Heartland CFD Series 2001A and Series 2002B bonds. The original issues were used to finance off-site improvements of a 1,417 home community with an 18 hole golf course. This bond issue is not a legal obligation of the City as the City is only acting as an agent for the property owners in collecting the assessments. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Therefore, these bonds are not reported as a liability in the financial statements of the City. The outstanding balance on these bonds at June 30, 2011 is \$12,395,000.

**7) CLAIMS AND JUDGMENTS**

**A) Risk Management and Self Insurance Programs**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in municipal agency risk pools for their property and workers' compensation coverage and uses a private carrier for excess liability coverage.

Type	Limits	Deductible
Property	\$600,000,000 All risk and flood (portions of limits are shared)	\$5,000 All risk \$10,000 Vehicles and mobile equipment \$100,000 Busses
Boiler and Machinery	\$100,000,000	\$5,000
Excess Liability	\$10,000,000 per occurrence	\$250,000 SIR per occurrence except \$500,000 SIR per occurrence - unfair Employment practices
Crime	\$1,000,000	\$2,500
Primary Workers' Comp	\$125,000	None
Excess Workers' Comp	\$5,000,000 Pooled layer \$295,000,000 Excess of \$5,000,000	\$125,000 SIR

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**7) CLAIMS AND JUDGMENTS - Continued**

**A) Risk Management and Self Insurance Programs - Continued**

The City operates a self-insurance program for dental, vision, and retiree supplemental medical insurance costs. The retiree supplemental medical plan, for employees hired prior to July 24, 1990 and who subsequently retire from the City, is only intended to bridge decreases in health coverage benefits as measured between current coverage benefits and the highest level of such benefits as conferred during the employee's tenure. A separate internal service fund has been established to accumulate reserves and pay expenses of the program. Currently, the various operating funds provide the financial support of these programs. It is, however, hoped that once adequate reserve levels are achieved, the interest earnings will carry the administration costs.

Estimated City costs of claims for liability, workers' compensation, dental, vision, and the retiree supplemental medical have been accrued as Claims and Judgments Payable in the accompanying financial statements.

Insurance Type	Beginning Balance	Claims Incurred	Claim Payments	Ending Balance	Current Portion
2009 - 2010 Total	\$ 1,442,919	\$ 886,990	\$ (1,289,618)	\$ 1,040,291	\$ 1,040,291
2010 - 2011					
Dental - Vision	\$ 47,550	\$ 560,087	\$ (532,277)	\$ 75,360	\$ 75,360
Workers' Comp	81,625	-	(39,003)	42,622	42,622
Liability	911,116	2,080,647	(1,222,733)	1,769,030	1,769,031
2010 - 2011 Total	\$ 1,040,291	\$ 2,640,734	\$ (1,794,013)	\$ 1,887,012	\$ 1,887,013

For the past three years, settled claims have not exceeded the amount of insurance coverage. Liabilities for claims payable including workers' compensation are typically liquidated by the internal service funds.

**B) Contingencies**

As of June 30, 2011 the City was involved in a number of damage suits incurred in the ordinary course of City operations. Estimated costs of these claims have been accrued as claims and judgments payable in accordance with GASB Statement No. 10. Additional amounts of loss of up to \$\_\_ million (net of applicable insurance coverage) are reasonably possible, depending upon the outcome of the claims involved.

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**7) CLAIMS AND JUDGMENTS - Continued**

**B) Contingencies - Continued**

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

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

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

As of December 29, 2011, the Supreme Court of California upheld the provisions of Assembly Bill X1 26 and invalidated Assembly Bill X1 27. The ruling provides for the wind up and dissolution of redevelopment agencies as of February 1, 2012.

Because Assembly Bill X1 26 was upheld, the receivables recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

**C) Commitments**

Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$813,064.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**8) FUND BALANCES/NET ASSETS**

**Deficit Fund Balances/Net Assets**

As of June 30, 2011 the following non-major funds reported deficits in their respective fund balances or net assets:

	Fund Balances	Net Assets
Special Revenue:		
Lighting and Landscaping Maintenance	\$ 731,524	\$ -
ISTEA	25,240	-
Public Safety Grants	92,791	-
Local Law Enforcement Block Grant	2,388	-
Internal Service:		
Liability		936,697
Totals	<u>\$ 851,943</u>	<u>\$ 936,697</u>

**Fund Balances**

The details of the fund balances as of June 30, 2011 are presented below:

	General Fund	Public Safety CFD	Hemet RDA Low/Mod	Redevelopment Capital Projects
<b>Nonspendable:</b>				
Prepays	\$ 18,762	\$	\$	\$
Advances	1,000,000			
Library Endowment				
<b>Restricted for:</b>				
Low/Mod Housing			7,282,471	
Debt Service				
Redevelopment				3,114,266
Public Safety				
Street Work				
Lighting and Landscaping				
Housing Grants				
General Plan				
Sewer Maintenance				
Development Impact Fees				
Library Equipment				
<b>Committed to:</b>				
<b>Assigned to:</b>				
Equipment Replacement				
<b>Unassigned:</b>	1,678,714	(1,615,728)		
Total Fund Balance	<u>\$ 2,697,476</u>	<u>\$ (1,615,728)</u>	<u>\$ 7,282,471</u>	<u>\$ 3,114,266</u>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**8) FUND BALANCES/NET ASSETS - Continued**

**Fund Balances - Continued**

	Bridges/Streets Traffic Facilities	Redevelopment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Prepays	\$	\$	\$	\$ 18,762
Advances			354,137	1,354,137
Library Endowment			1,000,000	1,000,000
<b>Restricted for:</b>				
Low/Mod Housing				7,282,471
Debt Service		7,038,995		7,038,995
Redevelopment				3,114,266
Public Safety			379,873	379,873
Street Work			5,217,125	5,217,125
Lighting and Landscaping			2,831,182	2,831,182
Housing Grants			5,247,473	5,247,473
General Plan			83,978	83,978
Sewer Maintenance			2,561,041	2,561,041
Development Impact Fees	6,073,249		12,092,834	18,166,083
Library Equipment			37,297	37,297
<b>Committed to:</b>				
				-
<b>Assigned to:</b>				
Equipment Replacement			6,308,542	6,308,542
<b>Unassigned:</b>				
			(851,943)	(788,957)
<b>Total Fund Balance</b>	<b>\$ 6,073,249</b>	<b>\$ 7,038,995</b>	<b>\$ 35,261,539</b>	<b>\$ 59,852,268</b>

**Prior Period Adjustments**

The prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances for the Hemet RDA Low/Mod fund of \$1,591,435 is to record deferred revenue on long-term loans receivable as of the beginning of the year.

The prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances for the Bridges/Streets/Traffic Facilities Capital Projects fund and the Governmental Activities section of the Statement of Activities of \$475,603 is to record deposits from developer agreements that were recorded as revenues in prior years.

The prior period adjustment in the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Activities for the Enterprise Fund and Business-type Activities, respectively, of \$156,122 is to record additions of capital assets that should have been recorded in prior years.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**9) EMPLOYEE BENEFITS**

**A) City Employees Retirement Plan**

Plan Description

The City of Hemet's Employee Retirement Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Retirement Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City of Hemet selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% (9% for safety employees) of their annual covered salary. The City of Hemet pays 5% of these required contributions on behalf of its employees. The City of Hemet is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010/11 was 16.190% for miscellaneous employees, and 28.707% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 28.707% of payroll for the safety plan and 16.190% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**9) EMPLOYEE BENEFITS - Continued**

**A) City Employees Retirement Plan - Continued**

Annual Pension Cost - Continued

A summary of principle assumptions and methods used to determine the ARC is shown below:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2008	June 30, 2008
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	21 Years as of the Valuation Date	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.75% (net of administration expenses)	7.75% (net of administration expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Trend information for City of Hemet Employee Retirement Plan**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 2,316,789	100%	\$ 0
6/30/10	\$ 2,475,425	100%	\$ 0
6/30/11	\$ 2,371,278	100%	\$ 0

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**9) EMPLOYEE BENEFITS - Continued**

**B) Post-Employment Benefit Plan**

Plan Description

The City of Hemet Retiree Healthcare Plan administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Retiree medical health benefits are offered to eligible retirees through Aetna and Kaiser. Dental and vision benefits are provided by the City and administered by Ogden Benefits Administration. To be eligible for retiree medical benefits, an employee must retire under PERS and enroll in medical benefits through the CalPERS Health Program.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City's current funding policy is pay as you go. The City has not pre-funded the Plan and will continue to pay for retiree healthcare benefits on a pay as you go basis. The City pays the full cost of eligible retirees' coverage up to a maximum (100% for retiree only coverage and 80% for additional dependent coverage) subject to the City's vesting schedule.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual Required Contribution	\$ 4,263,215
Interest on Net Pension Obligation (Asset)	151,173
Adjustment to Annual Required Contribution	(231,388)
Annual OPEB Cost	<u>4,183,000</u>
Contributions Made	<u>(2,362,000)</u>
Increase (Decrease) in Net Pension Obligation (Asset)	1,821,000
Net Pension Obligation (Asset) Beginning of Year	3,557,000
Net Pension Obligation (Asset) End of Year	<u><u>\$ 5,378,000</u></u>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**9) EMPLOYEE BENEFITS - Continued**

**B) Post-Employment Benefit Plan - Continued**

Annual OPEB Cost and Net OPEB Obligation - Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

THREE-YEAR TREND INFORMATION FOR CRHP					
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation		
6/30/09	\$ 3,782,000	53.8%	\$ 1,747,000		
6/30/10	\$ 3,979,000	54.5%	\$ 3,557,000		
6/30/11	\$ 4,183,000	56.5%	\$ 5,378,000		

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability (AAL)	\$	62,415
Actuarial Value of Plan Assets	\$	0
Unfunded Actuarial Accrued Liability (UAAL)	\$	62,415
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	\$	22,133
UAAL as a Percentage of Covered Payroll		282%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2011

**9) EMPLOYEE BENEFITS - Continued**

**B) Post-Employment Benefit Plan - Continued**

Actuarial Methods and Assumptions - Continued

The actual cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.25 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.75 percent for PPO and 9.05 percent for HMO initially in 2010 decreasing to 4.5 percent after 7 years (the cost trend rate started .35 percent higher for 2010), and a dental and vision cost trend rate of 3 percent per year. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years on a closed basis.

**10) SUBSEQUENT EVENTS**

In October 2011 the City Council approved an exclusive franchise agreement with CR&R Incorporated to provide refuse services to the City. As of November 2011, the City disbanded its refuse operations and CR&R began providing the refuse service to the City on December 1, 2011. The franchise agreement provides for franchise fees of \$25,000,000 to be paid to the City over the next 20 years with an upfront payment of \$12,500,000 in the 2011-12 fiscal year. The financial statement effects of the disbandment of the Refuse division have not been determined.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Hemet  
Schedule of Funding Progress  
Year Ended June 30, 2011**

**Schedule of Funding Progress for CalPERS Miscellaneous Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B - A)	(A/B)	(C)	[(B-A)/C]
06/30/08	61,701,016	71,784,233	10,083,217	86.0%	13,306,887	75.8%
06/30/09	65,279,379	79,547,481	14,268,102	82.1%	11,247,507	126.9%
06/30/10	68,507,380	83,736,408	15,229,028	81.8%	11,562,891	131.7%

**Schedule of Funding Progress for CalPERS Safety Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B - A)	(A/B)	(C)	[(B-A)/C]
06/30/08	74,092,074	92,010,027	17,917,953	80.5%	12,004,533	149.3%
06/30/09	79,831,549	104,594,574	24,763,025	76.3%	11,326,087	218.6%
06/30/10	83,992,069	110,130,030	26,137,961	76.3%	10,604,681	246.5%

**Schedule of Funding Progress for OPEB**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B - A)	(A/B)	(C)	[(B-A)/C]
01/01/09	\$ -	\$ 62,415,000	\$ 62,415,000	0%	\$ 22,133,000	282%

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 14,222,500	\$ 14,222,500	\$ 16,001,944	\$ 1,779,444
Licenses and Permits	1,836,300	1,836,300	2,175,102	338,802
Intergovernmental Revenue	5,422,700	5,422,700	5,671,926	249,226
Charges for Services	4,452,200	3,980,200	3,991,289	11,089
Fines and Forfeitures	728,500	728,500	600,126	(128,374)
Investment Income	217,000	217,000	148,466	(68,534)
Miscellaneous	71,000	71,000	133,406	62,406
	<u>26,950,200</u>	<u>26,478,200</u>	<u>28,722,259</u>	<u>2,244,059</u>
<b>EXPENDITURES</b>				
Current:				
General Government	634,100	871,131	568,964	302,167
Public Safety	22,599,100	22,797,932	23,102,536	(304,604)
Community Development	3,137,000	3,316,744	3,102,697	214,047
Parks	764,600	760,275	762,855	(2,580)
Libraries	1,404,000	1,404,000	1,306,527	97,473
Capital Outlay	-	-	-	-
	<u>28,538,800</u>	<u>29,150,082</u>	<u>28,843,579</u>	<u>306,503</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,588,600)</u>	<u>(2,671,882)</u>	<u>(121,320)</u>	<u>2,550,562</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,806,200	1,806,200	1,806,196	(4)
Transfers Out	(427,000)	(427,000)	(1,560,447)	(1,133,447)
	<u>1,379,200</u>	<u>1,379,200</u>	<u>245,749</u>	<u>(1,133,451)</u>
Net Change in Fund Balances	(209,400)	(1,292,682)	124,429	1,417,111
Fund Balance, Beginning of Year	<u>2,573,047</u>	<u>2,573,047</u>	<u>2,573,047</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,363,647</u>	<u>\$ 1,280,365</u>	<u>\$ 2,697,476</u>	<u>\$ 1,417,111</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety CFD Special Revenue Fund**  
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 310,000	\$ 310,000	\$ 375,429	\$ 65,429
Investment Income	-	-	-	-
Total Revenues	<u>310,000</u>	<u>310,000</u>	<u>375,429</u>	<u>65,429</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>666,100</u>	<u>660,503</u>	<u>661,978</u>	<u>(1,475)</u>
Total Expenditures	<u>666,100</u>	<u>660,503</u>	<u>661,978</u>	<u>(1,475)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(356,100)</u>	<u>(350,503)</u>	<u>(286,549)</u>	<u>63,954</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>395,000</u>	<u>395,000</u>	<u>395,004</u>	<u>4</u>
Total Other Financing Sources (Uses)	<u>395,000</u>	<u>395,000</u>	<u>395,004</u>	<u>4</u>
Net Change in Fund Balances	38,900	44,497	108,455	63,958
Fund Balance, Beginning of Year	<u>(1,724,183)</u>	<u>(1,724,183)</u>	<u>(1,724,183)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (1,685,283)</u></u>	<u><u>\$ (1,679,686)</u></u>	<u><u>\$ (1,615,728)</u></u>	<u><u>\$ 63,958</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - RDA Low/Mod Housing Special Revenue Fund**  
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,200,200	\$ 2,200,200	\$ 2,108,195	\$ (92,005)
Investment Income	70,800	70,800	37,866	(32,934)
Miscellaneous	-	-	-	-
	<u>2,271,000</u>	<u>2,271,000</u>	<u>2,146,061</u>	<u>(124,939)</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Government	-	13,600	-	13,600
Community Development	6,389,300	6,434,269	1,931,799	4,502,470
	<u>6,389,300</u>	<u>6,447,869</u>	<u>1,931,799</u>	<u>4,516,070</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(4,118,300)</u>	<u>(4,176,869)</u>	<u>214,262</u>	<u>4,391,131</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(635,000)	(635,000)	(635,004)	(4)
	<u>(635,000)</u>	<u>(635,000)</u>	<u>(635,004)</u>	<u>(4)</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(4,753,300)	(4,811,869)	(420,742)	4,391,127
Fund Balance, Beginning of Year	9,294,648	9,294,648	9,294,648	-
Prior Period Adjustments	-	-	(1,591,435)	(1,591,435)
Fund Balance, End of Year	<u>\$ 4,541,348</u>	<u>\$ 4,482,779</u>	<u>\$ 7,282,471</u>	<u>\$ 2,799,692</u>

**City of Hemet**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2011**

**BUDGETS AND BUDGETARY ACCOUNTING**

The City uses the following procedures in establishing the budgetary data reflected in the financial statements: After January 1, department heads prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecasted revenues for the fiscal year. The data is presented to the City Manager for review. The City Manager submits to the City Council a proposed operating budget for the upcoming fiscal year. The operating budget includes a summary of the proposed expenditures and financial resources of the City, as well as historical data for the preceding two fiscal periods. Public hearings are conducted to obtain taxpayer comments. The City Council is normally expected to adopt the budget prior to the beginning of the next fiscal period through passage of an adopting resolution. This appropriated budget covers substantially all City expenditures. There were no significant non-budgeted financial activities. All appropriated amounts are as originally adopted or as amended by the City Council and not subject to continuing appropriation lapse at year end. During the year ended June 30, 2011, the City increased its total budget for expenditures in the General Fund and major special revenue funds by \$664,254.

The City Manager is authorized to transfer budgeted amounts between functions, departments and expenditure accounts within funds. Transfers of appropriations between funds may be made only by authority of the City Council. Formal budgetary integration is employed as a management control device during the fiscal year for the General, Special Revenue, Capital Projects, and Debt Service funds. Formal budgetary control is not employed for Debt Service funds because effective budgetary control is alternatively achieved through debt indenture provisions. It is the policy of the City of Hemet to only budget capital expenditure projects from existing capital projects funds fund balances. No annual revenues are budgeted due to their annual volatility. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are legally adopted for the General, Special Revenue, Capital Projects, and Debt Service fund types.

**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The following funds reported total expenditures in excess of total appropriations for the year ended June 30, 2011:

Public Safety CFD Special Revenue Fund	\$ 1,475
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## **SUPPLEMENTARY INFORMATION**

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Redevelopment Agency Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Investment Income	-	6,312	6,312
Total Revenues	<u>-</u>	<u>6,312</u>	<u>6,312</u>
<b>EXPENDITURES</b>			
Current:			
General Government	1,127,304	886,250	241,054
Capital Outlay	30,761	51,460	(20,699)
Total Expenditures	<u>1,158,065</u>	<u>937,710</u>	<u>220,355</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,158,065)</u>	<u>(931,398)</u>	<u>226,667</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,034,618	1,183,992	149,374
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>1,034,618</u>	<u>1,183,992</u>	<u>149,374</u>
Net Change in Fund Balances	(123,447)	252,594	376,041
Fund Balance, Beginning of Year	<u>2,861,672</u>	<u>2,861,672</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,738,225</u></u>	<u><u>\$ 3,114,266</u></u>	<u><u>\$ 376,041</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Bridges/Streets Traffic Facilities Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>        </u>	<u>        </u>	<u>        </u>
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 2,748,762	\$ 2,085,369	\$ (663,393)
Charges for Services	691,000	249	(690,751)
Investment Income	40,000	35,246	(4,754)
Miscellaneous	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
Total Revenues	<u>3,479,762</u>	<u>2,120,864</u>	<u>(1,358,898)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	166,626	266,404	(99,778)
Capital Outlay	1,103,044	1,125,511	(22,467)
	<u>        </u>	<u>        </u>	<u>        </u>
Total Expenditures	<u>1,269,670</u>	<u>1,391,915</u>	<u>(122,245)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,210,092</u>	<u>728,949</u>	<u>(1,481,143)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,210,092	728,949	(1,481,143)
Fund Balance, Beginning of Year	5,819,903	5,819,903	-
Prior Period Adjustments	<u>-</u>	<u>(475,603)</u>	<u>(475,603)</u>
Fund Balance, End of Year	<u>\$ 8,029,995</u>	<u>\$ 6,073,249</u>	<u>\$(1,956,746)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Redevelopment Agency Debt Service Fund**  
Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 4,481,700	\$ 3,998,491	\$ (483,209)
Investment Income	<u>31,500</u>	<u>34,867</u>	<u>3,367</u>
Total Revenues	<u>4,513,200</u>	<u>4,033,358</u>	<u>(479,842)</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement	581,900	390,000	191,900
Interest	692,275	697,193	(4,918)
SERAF	-	911,068	(911,068)
Fiscal - Administrative Charges	<u>4,200</u>	<u>3,346</u>	<u>854</u>
Total Expenditures	<u>1,278,375</u>	<u>2,001,607</u>	<u>(723,232)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,234,825</u>	<u>2,031,751</u>	<u>(1,203,074)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>(1,361,900)</u>	<u>(1,361,892)</u>	<u>8</u>
Total Other Financing Sources (Uses)	<u>(1,361,900)</u>	<u>(1,361,892)</u>	<u>8</u>
Net Change in Fund Balances	1,872,925	669,859	(1,203,066)
Fund Balance, Beginning of Year	<u>6,369,136</u>	<u>6,369,136</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 8,242,061</u></u>	<u><u>\$ 7,038,995</u></u>	<u><u>\$(1,203,066)</u></u>

## **City of Hemet Non-Major Governmental Funds**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for revenue derived from specific taxes or other dedicated revenue sources (other than for major capital projects) that are restricted by law or administrative action for expenditures for specified purposes.

**Public Safety/Towing** - This fund accounts for the financial transactions involving the use of monies collected for towing service as related to public safety.

**Gas Tax Fund** - Accounts for transactions as prescribed by the State of California statute on California Streets and Highways; including receipts under Streets and Highways Code Section 2105, 2106, 2107, 2107.5 and SB300.

**Measure A** - Accounts for the use of Measure A tax monies for transit purposes.

**Article 3** - Accounts for the use of the Transportation Development Act Article 3 funds.

**Air Pollution Reduction** - Accounts for the financial transactions per Regulation 15 of the South Coast Air Quality Management District.

**Lighting/Landscape Maintenance District** - Accounts for the financial transactions of City-wide lighting and landscaping assessment district established by City Council.

**Intermodal Surface Transportation Efficiency Act (ISTEA)** - Accounts for the financial transactions as prescribed by the Local Agency - State Master Agreement for Federal Aid projects applying all provisions of the 1991 Intermodal Surface Transportation Efficiency Act.

**Post Proposition 218 Lighting District** - Accounts for the financial transactions of lighting districts voted by the citizens of those specified areas.

**Post Proposition 218 Landscape District** - Accounts for financial transactions of landscape districts voted in by the citizens of those specified areas.

**Asset Seizure** - Accounts for the financial transactions associated with assets seized in narcotics investigations to be used for law enforcement purposes.

**Public Safety Grants** - Accounts for the financial transactions as prescribed by various State and Federal Police Grants.

**Citizen Option for Public Safety Programs (COPS)** - Accounts for the financial transactions as prescribed by the State of California Grant under AB 3229.

**Local Law Enforcement Block Grant (LLEBG)** - Accounts for the financial transactions as prescribed by the U.S. Department of Justice Grant for the Local Law Enforcement Block Grant Program.

**Community Development Block Grant** - Accounts for the financial transactions as prescribed by the Federal Department of Housing and Urban Development for Community Development Block Grant Programs.

**General Plan** - Accounts for the financial transactions related to updating and maintaining the City's general plan.

**City of Hemet**  
**Non-Major Governmental Funds - Continued**

**SPECIAL REVENUE FUNDS - Continued**

**HOME Program - Home Investment Partnership Program** - Accounts for the financial transactions of the federally funded HOME program as administered by the State of California's Department of Housing and Community Development.

**Housing Authority-** Accounts for the financial transactions of the Hemet Housing Authority as established by the City Council.

**CAL HOME Program** - Accounts for the financial transactions of the State funded program to replace and rehabilitate mobile homes.

**2001 - 2008 HOME Program** - Accounts for the financial transactions of the Federally funded HOME program as administered by the State of California Department of Housing and Community Development.

**Neighborhood Stabilization Program Grant** - Accounts for the financial transactions as prescribed by the Federal Department of Housing and Urban Development for Neighborhood Stabilization Program Grants.

**Sewer and Storm Drain** - Accounts for the financial transactions of a City-wide program to maintain storm drains and sewer transmission lines. Revenues collected are intended to cover the maintenance costs for these lines, not all of the costs associated with the replacement, and depreciation of these lines.

**CAPITAL PROJECTS FUNDS**

**Public Meeting Facilities** - Accounts for the financial transactions for the public meeting facilities identified in the development impact fee report and funded through developer contributions.

**General Facilities** - Accounts for the financial transactions for general facilities identified in the development impact fee report and funded through developer contributions.

**Flood Control** - Accounts for the financial transactions for flood control improvements identified in the development impact fee report and funded through developer contributions.

**Law Enforcement Facilities** - Accounts for the financial transactions for the purchase of equipment identified in the development impact fee report and funded through developer contributions.

**Park Development** - Accounts for the financial transactions for park acquisitions and development identified in the development impact fee report and funded through park dedication fees and state grants.

**Valley Wide DVL Park** - Accounts for the financial transactions for development identified in the development impact fee report and funded through developer contributions.

**Library Facilities** - Accounts for the financial transactions for expansion of library facilities identified in the development impact fee report and funded through developer contributions.

**City of Hemet**  
**Non-Major Governmental Funds - Continued**

**CAPITAL PROJECTS FUNDS - Continued**

**Equipment Replacement** - Accounts for accumulation of reserves for future replacement of rolling stock vehicles from other funds.

**General Capital** - Accounts for the financial transactions for the addition of new (non-replacement) equipment.

**Fire Facilities** - Accounts for the financial transactions for the purchase of equipment identified in the development impact fee report and funded through developer contributions.

**PERMANENT FUNDS**

**LaSalle Library Endowment** - Accounts for an endowment given to the City of Hemet for the benefit of the Library. Only interest earned on the principal amount of \$1,000,000 can be used for non-operating costs of the Library.

**City of Hemet**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>ASSETS</b>				
Cash and Investments	\$ 10,817,479	\$ 18,764,899	\$ 1,037,297	\$ 30,619,675
Receivables:				
Accounts	878,175	2,245	-	880,420
Interest	166,973	-	-	166,973
Due from Other Governments	2,525,770	-	-	2,525,770
Advances to Other Funds	-	354,137	-	354,137
Notes Receivable	7,943,172	-	-	7,943,172
Allowance for Forgivable Notes	(3,729,020)	-	-	(3,729,020)
Land Held for Resale	536,000	-	-	536,000
	<u>\$ 19,138,549</u>	<u>\$ 19,121,281</u>	<u>\$ 1,037,297</u>	<u>\$ 39,297,127</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 1,797,406	\$ 6,087	\$ -	\$ 1,803,493
Accrued Salaries and Benefits	87,405	5,544	-	92,949
Deposits	83,201	-	-	83,201
Due to Other Funds	1,516,508	-	-	1,516,508
Advances from Other Funds	-	354,137	-	354,137
Deferred Revenue	185,300	-	-	185,300
	<u>3,669,820</u>	<u>365,768</u>	<u>-</u>	<u>4,035,588</u>
Fund Balances:				
Nonspendable	-	354,137	1,000,000	1,354,137
Restricted	16,320,672	12,092,834	37,297	28,450,803
Assigned	-	6,308,542	-	6,308,542
Unassigned	(851,943)	-	-	(851,943)
	<u>15,468,729</u>	<u>18,755,513</u>	<u>1,037,297</u>	<u>35,261,539</u>
Total Liabilities and Fund Balances	<u>\$ 19,138,549</u>	<u>\$ 19,121,281</u>	<u>\$ 1,037,297</u>	<u>\$ 39,297,127</u>

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
Year Ended June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds Funds	Total
<b>REVENUES</b>				
Taxes and Assessments	\$ 1,253,199	\$ -	\$ -	\$ 1,253,199
Intergovernmental	6,952,576	-	-	6,952,576
Charges for Services	6,357,351	1,087,814	-	7,445,165
Investment Income	68,234	144,976	16,780	229,990
Miscellaneous	12,083	13,632	-	25,715
	<u>14,643,443</u>	<u>1,246,422</u>	<u>16,780</u>	<u>15,906,645</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Government	146,042	-	-	146,042
Public Safety	1,042,819	-	-	1,042,819
Community Development	2,161,680	-	-	2,161,680
Public Works	5,115,444	269,203	-	5,384,647
Libraries	-	113,068	-	113,068
Sanitation	1,957,335	-	-	1,957,335
Capital Outlay	4,394,198	838,592	-	5,232,790
	<u>14,817,518</u>	<u>1,220,863</u>	<u>-</u>	<u>16,038,381</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(174,075)</u>	<u>25,559</u>	<u>16,780</u>	<u>(131,736)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	407,484	112,442	1,132,959	1,652,885
Transfers Out	<u>(339,996)</u>	<u>-</u>	<u>(112,442)</u>	<u>(452,438)</u>
	<u>67,488</u>	<u>112,442</u>	<u>1,020,517</u>	<u>1,200,447</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(106,587)	138,001	1,037,297	1,068,711
Fund Balance, Beginning of Year	<u>15,575,316</u>	<u>18,617,512</u>	<u>-</u>	<u>34,192,828</u>
Fund Balance, End of Year	<u>\$ 15,468,729</u>	<u>\$ 18,755,513</u>	<u>\$ 1,037,297</u>	<u>\$ 35,261,539</u>

**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Special Revenue Funds**  
June 30, 2011

	<u>Public Safety/Towing</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Article 3</u>
<b>ASSETS</b>				
Cash and Investments	\$ 73,161	\$ 1,672,882	\$ 2,573,884	\$ 17,509
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Due from Other Governments	-	233,612	1,249,588	75,000
Interfund Receivables	-	-	-	-
Notes Receivable	-	-	-	-
Allowance for Forgivable Notes	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 73,161</u>	<u>\$ 1,906,494</u>	<u>\$ 3,823,472</u>	<u>\$ 92,509</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 632	\$ 310,100	\$ 420,658	\$ -
Accrued Salaries and Benefits	4,897	30,752	-	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	92,509
	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,509</u>
Total Liabilities	<u>5,529</u>	<u>340,852</u>	<u>420,658</u>	<u>92,509</u>
Fund Balances:				
Restricted	67,632	1,565,642	3,402,814	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>67,632</u>	<u>1,565,642</u>	<u>3,402,814</u>	<u>-</u>
	<u>\$ 73,161</u>	<u>\$ 1,906,494</u>	<u>\$ 3,823,472</u>	<u>\$ 92,509</u>

<u>Air Pollution Reduction</u>	<u>Lighting and Landscaping Maintenance</u>	<u>ISTEA</u>	<u>Post Prop 218 Lighting</u>	<u>Post Prop 218 Landscaping</u>	<u>Asset Seizure</u>	<u>Public Safety Grants</u>
\$ 230,692	\$ -	\$ -	\$ 690,670	\$ 2,204,669	\$ 213,418	\$ 3,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,977	88,157	-	6,047	60,360	-	361,883
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 248,669</u>	<u>\$ 88,157</u>	<u>\$ -</u>	<u>\$ 696,717</u>	<u>\$ 2,265,029</u>	<u>\$ 213,418</u>	<u>\$ 364,883</u>
\$ -	\$ 48,585	\$ -	\$ 4,560	\$ 70,696	\$ 1,059	\$ 6,529
-	7,372	-	1,586	14,472	-	-
-	-	-	-	39,250	43,951	-
-	763,724	25,240	-	-	-	358,354
-	-	-	-	-	-	92,791
<u>-</u>	<u>819,681</u>	<u>25,240</u>	<u>6,146</u>	<u>124,418</u>	<u>45,010</u>	<u>457,674</u>
248,669	-	-	690,571	2,140,611	168,408	-
-	(731,524)	(25,240)	-	-	-	(92,791)
<u>248,669</u>	<u>(731,524)</u>	<u>(25,240)</u>	<u>690,571</u>	<u>2,140,611</u>	<u>168,408</u>	<u>(92,791)</u>
<u>\$ 248,669</u>	<u>\$ 88,157</u>	<u>\$ -</u>	<u>\$ 696,717</u>	<u>\$ 2,265,029</u>	<u>\$ 213,418</u>	<u>\$ 364,883</u>

Continued

**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Special Revenue Funds - Continued**  
June 30, 2011

	<u>COPS AB 3229</u>	<u>Local Law Enforcement Block Grant</u>	<u>Community Development Block Grant</u>	<u>General Plan</u>
<b>ASSETS</b>				
Cash and Investments	\$ 183,135	\$ -	\$ -	\$ 88,271
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Due from Other Governments	-	-	433,146	-
Interfund Receivables	-	-	-	-
Notes Receivable	-	-	-	-
Allowance for Forgivable Notes	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 183,135</u>	<u>\$ -</u>	<u>\$ 433,146</u>	<u>\$ 88,271</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 39,302	\$ -	\$ 65,710	\$ -
Accrued Salaries and Benefits	-	-	6,583	4,293
Deposits	-	-	-	-
Due to Other Funds	-	2,388	360,853	-
Deferred Revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>39,302</u>	<u>2,388</u>	<u>433,146</u>	<u>4,293</u>
Fund Balances:				
Restricted	143,833	-	-	83,978
Unassigned	-	(2,388)	-	-
	<u>-</u>	<u>(2,388)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>143,833</u>	<u>(2,388)</u>	<u>-</u>	<u>83,978</u>
Total Liabilities and Fund Balances	<u>\$ 183,135</u>	<u>\$ -</u>	<u>\$ 433,146</u>	<u>\$ 88,271</u>

<u>HOME Program</u>	<u>Housing Authority</u>	<u>CalHome Grant</u>	<u>2001 - 2008 Home Grant</u>	<u>NSP Program</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
\$ 32,276	\$ 517	\$ 45,899	\$ 240,516	\$ 25,000	\$ 2,521,980	\$ 10,817,479
-	-	-	-	-	878,175	878,175
-	-	-	166,973	-	-	166,973
-	-	-	-	-	-	2,525,770
-	-	-	-	-	-	-
1,329,094	-	810,898	4,849,423	953,757	-	7,943,172
-	-	-	(3,729,020)	-	-	(3,729,020)
-	-	-	-	536,000	-	536,000
<u>\$ 1,361,370</u>	<u>\$ 517</u>	<u>\$ 856,797</u>	<u>\$ 1,527,892</u>	<u>\$ 1,514,757</u>	<u>\$ 3,400,155</u>	<u>\$ 19,138,549</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,773	\$ 821,802	\$ 1,797,406
-	-	-	138	-	17,312	87,405
-	-	-	-	-	-	83,201
-	-	-	-	5,949	-	1,516,508
-	-	-	-	-	-	185,300
-	-	-	138	13,722	839,114	3,669,820
1,361,370	517	856,797	1,527,754	1,501,035	2,561,041	16,320,672
-	-	-	-	-	-	(851,943)
<u>1,361,370</u>	<u>517</u>	<u>856,797</u>	<u>1,527,754</u>	<u>1,501,035</u>	<u>2,561,041</u>	<u>15,468,729</u>
<u>\$ 1,361,370</u>	<u>\$ 517</u>	<u>\$ 856,797</u>	<u>\$ 1,527,892</u>	<u>\$ 1,514,757</u>	<u>\$ 3,400,155</u>	<u>\$ 19,138,549</u>

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
Year Ended June 30, 2011

	Public <u>Safety/Towing</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Article 3</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,253,199	\$ -
Intergovernmental Revenue	-	1,943,220	1,045,865	75,000
Charges for Services	81,038	-	-	-
Investment Income	695	9,270	19,575	-
Miscellaneous	-	4,022	-	-
	<u>81,733</u>	<u>1,956,512</u>	<u>2,318,639</u>	<u>75,000</u>
Total Revenues	<u>81,733</u>	<u>1,956,512</u>	<u>2,318,639</u>	<u>75,000</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	71,311	-	-	-
Community Development	-	-	-	-
Public Works	-	1,693,509	-	-
Sanitation	-	-	-	-
Capital Outlay	34,806	649,332	2,744,022	75,001
	<u>106,117</u>	<u>2,342,841</u>	<u>2,744,022</u>	<u>75,001</u>
Total Expenditures	<u>106,117</u>	<u>2,342,841</u>	<u>2,744,022</u>	<u>75,001</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(24,384)</u>	<u>(386,329)</u>	<u>(425,383)</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	372,480	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>372,480</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>372,480</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(24,384)	(13,849)	(425,383)	(1)
Fund Balances, Beginning of Year	<u>92,016</u>	<u>1,579,491</u>	<u>3,828,197</u>	<u>1</u>
Fund Balances, End of Year	<u>\$ 67,632</u>	<u>\$ 1,565,642</u>	<u>\$ 3,402,814</u>	<u>\$ -</u>

<u>Air Pollution Reduction</u>	<u>Lighting and Landscaping Maintenance</u>	<u>ISTEA</u>	<u>Post Prop 218 Lighting</u>	<u>Post Prop 218 Landscaping</u>	<u>Asset Seizure</u>	<u>Public Safety Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
83,036	-	-	-	-	7,537	907,807
-	2,032,927	-	54,293	1,373,573	-	-
2,076	-	-	6,028	11,101	1,711	-
-	655	-	-	6,284	-	-
<u>85,112</u>	<u>2,033,582</u>	<u>-</u>	<u>60,321</u>	<u>1,390,958</u>	<u>9,248</u>	<u>907,807</u>
-	-	-	-	-	-	-
-	-	-	-	-	15,227	950,735
-	-	-	-	-	-	-
-	1,543,334	-	174,698	1,422,595	-	-
-	-	-	-	-	-	-
<u>144,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>144,325</u>	<u>1,543,334</u>	<u>-</u>	<u>174,698</u>	<u>1,422,595</u>	<u>15,227</u>	<u>950,735</u>
<u>(59,213)</u>	<u>490,248</u>	<u>-</u>	<u>(114,377)</u>	<u>(31,637)</u>	<u>(5,979)</u>	<u>(42,928)</u>
-	-	-	-	35,004	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>35,004</u>	<u>-</u>	<u>-</u>
(59,213)	490,248	-	(144,377)	3,367	(5,979)	(42,928)
<u>307,882</u>	<u>(1,221,772)</u>	<u>(25,240)</u>	<u>834,948</u>	<u>2,137,244</u>	<u>174,387</u>	<u>(49,863)</u>
<u>\$ 248,669</u>	<u>\$ (731,524)</u>	<u>\$ (25,240)</u>	<u>\$ 690,571</u>	<u>\$ 2,140,611</u>	<u>\$ 168,408</u>	<u>\$ (92,791)</u>

Continued

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
Year Ended June 30, 2011

	COPS AB 3229	Local Law Enforcement Block Grant	Community Development Block Grant	General Plan
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	135,317	-	1,107,569	-
Charges for Services	-	-	-	22,500
Investment Income	1,594	-	-	1,640
Miscellaneous	-	-	-	-
Total Revenues	<u>136,911</u>	<u>-</u>	<u>1,107,569</u>	<u>24,140</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	146,042	-
Public Safety	5,546	-	-	-
Community Development	-	-	289,362	-
Public Works	-	-	-	281,308
Sanitation	-	-	-	-
Capital Outlay	<u>72,159</u>	<u>2,388</u>	<u>672,165</u>	<u>-</u>
Total Expenditures	<u>77,705</u>	<u>2,388</u>	<u>1,107,569</u>	<u>281,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>59,206</u>	<u>(2,388)</u>	<u>-</u>	<u>(257,168)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	59,206	(2,388)	-	(257,168)
Fund Balances, Beginning of Year	<u>84,627</u>	<u>-</u>	<u>-</u>	<u>341,146</u>
Fund Balances, End of Year	<u>\$ 143,833</u>	<u>\$ (2,388)</u>	<u>\$ -</u>	<u>\$ 83,978</u>

<u>HOME Program</u>	<u>Housing Authority</u>	<u>CalHome Grant</u>	<u>2001 - 2008 Home Grant</u>	<u>NSP Program</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,253,199
-	-	-	478,334	1,168,891	-	6,952,576
-	-	-	-	-	2,793,020	6,357,351
242	4	-	189	-	14,109	68,234
-	-	-	-	-	1,122	12,083
<u>242</u>	<u>4</u>	<u>-</u>	<u>478,523</u>	<u>1,168,891</u>	<u>2,808,251</u>	<u>14,643,443</u>
-	-	-	-	-	-	146,042
-	-	-	-	-	-	1,042,819
57,990	-	209,716	43,938	1,560,674	-	2,161,680
-	-	-	-	-	-	5,115,444
-	-	-	-	-	1,957,335	1,957,335
-	-	-	-	-	-	4,394,198
<u>57,990</u>	<u>-</u>	<u>209,716</u>	<u>43,938</u>	<u>1,560,674</u>	<u>1,957,335</u>	<u>14,817,518</u>
<u>(57,748)</u>	<u>4</u>	<u>(209,716)</u>	<u>434,585</u>	<u>(391,783)</u>	<u>850,916</u>	<u>(174,075)</u>
-	-	-	-	-	-	407,484
-	-	-	-	-	(309,996)	(339,996)
-	-	-	-	-	(309,996)	67,488
<u>(57,748)</u>	<u>4</u>	<u>(209,716)</u>	<u>434,585</u>	<u>(391,783)</u>	<u>540,920</u>	<u>(106,587)</u>
<u>1,419,118</u>	<u>513</u>	<u>1,066,513</u>	<u>1,093,169</u>	<u>1,892,818</u>	<u>2,020,121</u>	<u>15,575,316</u>
<u>\$ 1,361,370</u>	<u>\$ 517</u>	<u>\$ 856,797</u>	<u>\$ 1,527,754</u>	<u>\$ 1,501,035</u>	<u>\$ 2,561,041</u>	<u>\$ 15,468,729</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety/Towing Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 65,000	\$ 81,038	\$ 16,038
Investment Income	2,500	695	(1,805)
Miscellaneous	-	-	-
Total Revenues	<u>67,500</u>	<u>81,733</u>	<u>14,233</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Public Safety	52,600	71,311	(18,711)
Capital Outlay	<u>57,700</u>	<u>34,806</u>	<u>22,894</u>
Total Expenditures	<u>110,300</u>	<u>106,117</u>	<u>4,183</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(42,800)</u>	<u>(24,384)</u>	<u>18,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(42,800)	(24,384)	18,416
Fund Balance, Beginning of Year	<u>92,016</u>	<u>92,016</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 49,216</u></u>	<u><u>\$ 67,632</u></u>	<u><u>\$ 18,416</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gas Tax Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Licenses and Permits	\$ -	\$ -	\$ -
Intergovernmental Revenue	1,159,500	1,943,220	783,720
Investment Income	4,000	9,270	5,270
Miscellaneous	-	4,022	4,022
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>1,163,500</u>	<u>1,956,512</u>	<u>793,012</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Public Works	1,840,161	1,693,509	146,652
Sanitation	-	-	-
Capital Outlay	649,332	649,332	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>2,489,493</u>	<u>2,342,841</u>	<u>146,652</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,325,993)</u>	<u>(386,329)</u>	<u>939,664</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	372,000	372,480	480
Transfers Out	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>372,000</u>	<u>372,480</u>	<u>480</u>
Net Change in Fund Balances	(953,993)	(13,849)	940,144
Fund Balances, Beginning of Year	<u>1,579,491</u>	<u>1,579,491</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 625,498</u>	<u>\$ 1,565,642</u>	<u>\$ 940,144</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Measure A Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,022,000	\$ 1,253,199	\$ 231,199
Investment Income	50,000	19,575	(30,425)
Intergovernmental Revenue	-	1,045,865	1,045,865
Total Revenues	<u>1,072,000</u>	<u>2,318,639</u>	<u>1,246,639</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	<u>7,487,456</u>	<u>2,744,022</u>	<u>4,743,434</u>
Total Expenditures	<u>7,487,456</u>	<u>2,744,022</u>	<u>4,743,434</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,415,456)	(425,383)	5,990,073
Fund Balance, Beginning of Year	<u>3,828,197</u>	<u>3,828,197</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (2,587,259)</u></u>	<u><u>\$ 3,402,814</u></u>	<u><u>\$ 5,990,073</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Article 3 Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	167,509	75,000	(92,509)
Total Revenues	<u>167,509</u>	<u>75,000</u>	<u>(92,509)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	75,000	75,001	(1)
Total Expenditures	<u>75,000</u>	<u>75,001</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over Expenditures	92,509	(1)	(92,510)
Fund Balance, Beginning of Year	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 92,510</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (92,510)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Air Pollution Reduction Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	243,108	83,036	(160,072)
Investment Income	2,000	2,076	76
Total Revenues	<u>245,108</u>	<u>85,112</u>	<u>(159,996)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	156,512	144,325	12,187
Total Expenditures	<u>156,512</u>	<u>144,325</u>	<u>12,187</u>
Excess (Deficiency) of Revenues over Expenditures	<u>88,596</u>	<u>(59,213)</u>	<u>(147,809)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	88,596	(59,213)	(147,809)
Fund Balance, Beginning of Year	<u>307,882</u>	<u>307,882</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 396,478</u>	<u>\$ 248,669</u>	<u>\$ (147,809)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Lighting/Landscaping Maintenance Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	1,901,600	2,032,927	131,327
Investment Income	-	-	-
Miscellaneous	-	655	655
Total Revenues	<u>1,901,600</u>	<u>2,033,582</u>	<u>131,982</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	1,562,836	1,543,334	19,502
Capital Outlay	-	-	-
Total Expenditures	<u>1,562,836</u>	<u>1,543,334</u>	<u>19,502</u>
Excess (Deficiency) of Revenues over Expenditures	<u>338,764</u>	<u>490,248</u>	<u>151,484</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	338,764	490,248	151,484
Fund Balance, Beginning of Year	<u>(1,221,772)</u>	<u>(1,221,772)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (883,008)</u>	<u>\$ (731,524)</u>	<u>\$ 151,484</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - ISTEA Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	29,124	-	(29,124)
Investment Income	-	-	-
Total Revenues	<u>29,124</u>	<u>-</u>	<u>(29,124)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>29,124</u>	<u>-</u>	<u>(29,124)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	29,124	-	(29,124)
Fund Balance, Beginning of Year	<u>(25,240)</u>	<u>(25,240)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,884</u>	<u>\$ (25,240)</u>	<u>\$ (29,124)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Post Prop 218 Lighting Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	83,900	54,293	(29,607)
Investment Income	-	6,028	6,028
Total Revenues	<u>83,900</u>	<u>60,321</u>	<u>(23,579)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	255,816	174,698	81,118
Capital Outlay	-	-	-
Total Expenditures	<u>255,816</u>	<u>174,698</u>	<u>81,118</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(171,916)</u>	<u>(114,377)</u>	<u>57,539</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balances	(201,916)	(144,377)	57,539
Fund Balance, Beginning of Year	<u>834,948</u>	<u>834,948</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 633,032</u>	<u>\$ 690,571</u>	<u>\$ 57,539</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Post Prop 218 Landscape Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	1,444,000	1,373,573	(70,427)
Investment Income	-	11,101	11,101
Miscellaneous	-	6,284	6,284
Total Revenues	<u>1,444,000</u>	<u>1,390,958</u>	<u>(53,042)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	1,691,970	1,422,595	269,375
Capital Outlay	-	-	-
Total Expenditures	<u>1,691,970</u>	<u>1,422,595</u>	<u>269,375</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(247,970)</u>	<u>(31,637)</u>	<u>216,333</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	35,000	35,004	4
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>35,004</u>	<u>4</u>
Net Change in Fund Balances	(212,970)	3,367	216,337
Fund Balance, Beginning of Year	<u>2,137,244</u>	<u>2,137,244</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,924,274</u>	<u>\$ 2,140,611</u>	<u>\$ 216,337</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Asset Seizure Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	7,537	7,537
Investment Income	-	1,711	1,711
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>9,248</u>	<u>9,248</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	53,000	15,227	37,773
Capital Outlay	25,000	-	25,000
	<u>78,000</u>	<u>15,227</u>	<u>62,773</u>
Total Expenditures	<u>78,000</u>	<u>15,227</u>	<u>62,773</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(78,000)</u>	<u>(5,979)</u>	<u>72,021</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(78,000)	(5,979)	72,021
Fund Balance, Beginning of Year	<u>174,387</u>	<u>174,387</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 96,387</u>	<u>\$ 168,408</u>	<u>\$ 72,021</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety Grants Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,226,365	907,807	(318,558)
Total Revenues	<u>1,226,365</u>	<u>907,807</u>	<u>(318,558)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	961,753	950,735	11,018
Capital Outlay	157,000	-	157,000
Total Expenditures	<u>1,118,753</u>	<u>950,735</u>	<u>168,018</u>
Excess (Deficiency) of Revenues over Expenditures	<u>107,612</u>	<u>(42,928)</u>	<u>(150,540)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	107,612	(42,928)	(150,540)
Fund Balance, Beginning of Year	<u>(49,863)</u>	<u>(49,863)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 57,749</u>	<u>\$ (92,791)</u>	<u>\$ (150,540)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - COPS/AB 3229 Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	312,664	135,317	(177,347)
Investment Income	-	1,594	1,594
Total Revenues	<u>312,664</u>	<u>136,911</u>	<u>(175,753)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	83,688	5,546	78,142
Capital Outlay	244,554	72,159	172,395
Total Expenditures	<u>328,242</u>	<u>77,705</u>	<u>250,537</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(15,578)</u>	<u>59,206</u>	<u>74,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(15,578)	59,206	74,784
Fund Balance, Beginning of Year	84,627	84,627	-
Fund Balance, End of Year	<u>\$ 69,049</u>	<u>\$ 143,833</u>	<u>\$ 74,784</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Local Law Enforcement Block Grant Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	245,127	-	(245,127)
Total Revenues	<u>245,127</u>	<u>-</u>	<u>(245,127)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	-	-	-
Capital Outlay	317,243	2,388	314,855
Total Expenditures	<u>317,243</u>	<u>2,388</u>	<u>314,855</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(72,116)</u>	<u>(2,388)</u>	<u>69,728</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(72,116)	(2,388)	69,728
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (72,116)</u></u>	<u><u>\$ (2,388)</u></u>	<u><u>\$ 69,728</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Community Development Block Grant Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	760,740	1,107,569	346,829
Total Revenues	<u>760,740</u>	<u>1,107,569</u>	<u>346,829</u>
<b>EXPENDITURES</b>			
Current:			
General Governmental	159,353	146,042	13,311
Community Development	392,030	289,362	102,668
Capital Outlay	672,165	672,165	-
Total Expenditures	<u>1,223,548</u>	<u>1,107,569</u>	<u>115,979</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(462,808)</u>	<u>-</u>	<u>462,808</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(462,808)	-	462,808
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u>\$ (462,808)</u>	<u>\$ -</u>	<u>\$ 462,808</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Plan Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	54,600	22,500	(32,100)
Investment Income	2,000	1,640	(360)
Total Revenues	<u>56,600</u>	<u>24,140</u>	<u>(32,460)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	367,449	281,308	86,141
Capital Outlay	-	-	-
Total Expenditures	<u>367,449</u>	<u>281,308</u>	<u>86,141</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(310,849)</u>	<u>(257,168)</u>	<u>53,681</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(310,849)	(257,168)	53,681
Fund Balance, Beginning of Year	<u>341,146</u>	<u>341,146</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 30,297</u>	<u>\$ 83,978</u>	<u>\$ 53,681</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - HOME Program Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Investment Income	-	242	242
Total Revenues	<u>-</u>	<u>242</u>	<u>242</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	-	57,990	(57,990)
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>57,990</u>	<u>(57,990)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(57,748)</u>	<u>(57,748)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(57,748)	(57,748)
Fund Balance, Beginning of Year	<u>1,419,118</u>	<u>1,419,118</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,419,118</u></u>	<u><u>\$ 1,361,370</u></u>	<u><u>\$ (57,748)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Housing Authority Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-
Investment Income	-	4	4
	<u>-</u>	<u>4</u>	<u>4</u>
Total Revenues	<u>-</u>	<u>4</u>	<u>4</u>
<b>EXPENDITURES</b>			
Current:			
General Governmental	-	-	-
Community Development	-	-	-
Public Works	-	-	-
Capital Outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>4</u>	<u>4</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	4	4
Fund Balance, Beginning of Year	<u>513</u>	<u>513</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 513</u>	<u>\$ 517</u>	<u>\$ 4</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - CalHome Grant Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	100,000	-	(100,000)
Total Revenues	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	-	209,716	(209,716)
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>209,716</u>	<u>(209,716)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>100,000</u>	<u>(209,716)</u>	<u>(309,716)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	100,000	(209,716)	(309,716)
Fund Balance, Beginning of Year	<u>1,066,513</u>	<u>1,066,513</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,166,513</u>	<u>\$ 856,797</u>	<u>\$ (309,716)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - 2001- 2008 Home Grant Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	478,334	478,334
Investment Income	1,035,969	189	(1,035,780)
Miscellaneous	-	-	-
Total Revenues	<u>1,035,969</u>	<u>478,523</u>	<u>(557,446)</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	640,077	43,938	596,139
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>640,077</u>	<u>43,938</u>	<u>596,139</u>
Excess (Deficiency) of Revenues over Expenditures	<u>395,892</u>	<u>434,585</u>	<u>38,693</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	395,892	434,585	38,693
Fund Balance, Beginning of Year	<u>1,093,169</u>	<u>1,093,169</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,489,061</u>	<u>\$ 1,527,754</u>	<u>\$ 38,693</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Neighborhood Stabilization Program Grant Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	3,212,818	1,168,891	(2,043,927)
Investment Income	15,000	-	(15,000)
Miscellaneous	-	-	-
Total Revenues	<u>3,227,818</u>	<u>1,168,891</u>	<u>(2,058,927)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	<u>2,509,321</u>	<u>1,560,674</u>	<u>948,647</u>
Total Expenditures	<u>2,509,321</u>	<u>1,560,674</u>	<u>948,647</u>
Excess (Deficiency) of Revenues over Expenditures	<u>718,497</u>	<u>(391,783)</u>	<u>(1,110,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	718,497	(391,783)	(1,110,280)
Fund Balance, Beginning of Year	<u>1,892,818</u>	<u>1,892,818</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,611,315</u></u>	<u><u>\$ 1,501,035</u></u>	<u><u>\$(1,110,280)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sewer and Storm Drain Special Revenue Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	2,731,900	2,793,020	61,120
Investment Income	9,000	14,109	5,109
Miscellaneous	-	1,122	1,122
Total Revenues	<u>2,740,900</u>	<u>2,808,251</u>	<u>67,351</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Sanitation	2,336,218	1,957,335	378,883
Capital Outlay	-	-	-
Total Expenditures	<u>2,336,218</u>	<u>1,957,335</u>	<u>378,883</u>
Excess (Deficiency) of Revenues over Expenditures	<u>404,682</u>	<u>850,916</u>	<u>446,234</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(310,000)	(309,996)	4
Total Other Financing Sources (Uses)	<u>(310,000)</u>	<u>(309,996)</u>	<u>4</u>
Net Change in Fund Balances	94,682	540,920	446,238
Fund Balance, Beginning of Year	<u>2,020,121</u>	<u>2,020,121</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,114,803</u>	<u>\$ 2,561,041</u>	<u>\$ 446,238</u>

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**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Capital Projects Funds**  
June 30, 2011

	Public Meeting Facilities	General Facilities	Flood Control	Law Enforcement Facilities
<b>ASSETS</b>				
Cash and Investments	\$ 566,120	\$ 1,384,489	\$ 3,645,958	\$ 503,441
Accounts Receivable	-	2,245	-	-
Interest Receivable	-	-	-	-
Due from Other Governments	-	-	-	-
Advances to Other Funds	-	-	354,137	-
	<u>566,120</u>	<u>1,386,734</u>	<u>3,645,958</u>	<u>503,441</u>
Total Assets	<u>\$ 566,120</u>	<u>\$ 1,386,734</u>	<u>\$ 4,000,095</u>	<u>\$ 503,441</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	2,763	-
Advances from Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,763</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,763</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	354,137	-
Restricted	566,120	1,386,734	3,643,195	503,441
Assigned	-	-	-	-
	<u>566,120</u>	<u>1,386,734</u>	<u>3,643,195</u>	<u>503,441</u>
Total Fund Balances	<u>566,120</u>	<u>1,386,734</u>	<u>3,997,332</u>	<u>503,441</u>
Total Liabilities and Fund Balances	<u>\$ 566,120</u>	<u>\$ 1,386,734</u>	<u>\$ 4,000,095</u>	<u>\$ 503,441</u>

<u>Park Development</u>	<u>Valley Wide DVL Park</u>	<u>Library Facilities</u>	<u>Equipment Replacement</u>	<u>General Capital</u>
\$ 921,843	\$ 245,538	\$ 1,360,658	\$ 6,308,542	\$ 8,564
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 921,843</u>	<u>\$ 245,538</u>	<u>\$ 1,360,658</u>	<u>\$ 6,308,542</u>	<u>\$ 8,564</u>
\$ -	\$ -	\$ 5,669	\$ -	\$ -
2,781	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,781</u>	<u>-</u>	<u>5,669</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
919,062	245,538	1,354,989	-	8,564
-	-	-	6,308,542	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,308,542</u>	<u>-</u>
<u>919,062</u>	<u>245,538</u>	<u>1,354,989</u>	<u>6,308,542</u>	<u>8,564</u>
<u>\$ 921,843</u>	<u>\$ 245,538</u>	<u>\$ 1,360,658</u>	<u>\$ 6,308,542</u>	<u>\$ 8,564</u>

Continued

**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Capital Projects Funds - Continued**  
June 30, 2011

	Fire Facilities	Totals
<b>ASSETS</b>		
Cash and Investments	\$ 3,819,746	\$ 18,764,899
Accounts Receivable	-	2,245
Interest Receivable	-	-
Due from Other Governments	-	-
Advances to Other Funds	-	354,137
	-	354,137
Total Assets	\$ 3,819,746	\$ 19,121,281
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 418	\$ 6,087
Accrued Salaries and Benefits	-	5,544
Advance from Other Funds	354,137	354,137
	354,137	354,137
Total Liabilities	354,555	365,768
Fund Balances:		
Nonspendable	-	354,137
Restricted	3,465,191	12,092,834
Assigned	-	6,308,542
	-	6,308,542
Total Fund Balances	3,465,191	18,755,513
Total Liabilities and Fund Balances	\$ 3,819,746	\$ 19,121,281

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**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Capital Projects Funds**  
Year Ended June 30, 2011

	Public Meeting Facilities	General Facilities	Flood Control	Law Enforcement Facilities
<b>REVENUES</b>				
Charges for Services	\$ -	\$ 59,322	\$ 21,442	\$ 36,905
Investment Income	4,566	35,307	23,766	3,982
Miscellaneous	-	-	-	-
Total Revenues	<u>4,566</u>	<u>94,629</u>	<u>45,208</u>	<u>40,887</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	-	3,612	119,410	3,612
Libraries	-	-	-	-
Capital Outlay	-	-	458,550	-
Total Expenditures	<u>-</u>	<u>3,612</u>	<u>577,960</u>	<u>3,612</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,566</u>	<u>91,017</u>	<u>(532,752)</u>	<u>37,275</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,566	91,017	(532,752)	37,275
Fund Balances, Beginning of Year	<u>561,554</u>	<u>1,295,717</u>	<u>4,530,084</u>	<u>466,166</u>
Fund Balances, End of Year	<u>\$ 566,120</u>	<u>\$ 1,386,734</u>	<u>\$ 3,997,332</u>	<u>\$ 503,441</u>

<u>Park Development</u>	<u>Valley Wide DVL Park</u>	<u>Library Facilities</u>	<u>Equipment Replacement</u>	<u>General Capital</u>
\$ 108,975	\$ 21,225	\$ 55,125	\$ 741,120	\$ -
6,215	1,928	8,583	37,006	-
-	-	-	13,632	-
<u>115,190</u>	<u>23,153</u>	<u>63,708</u>	<u>791,758</u>	<u>-</u>
119,910	-	-	-	-
-	-	113,068	-	-
<u>150,000</u>	<u>-</u>	<u>112,442</u>	<u>117,600</u>	<u>-</u>
<u>269,910</u>	<u>-</u>	<u>225,510</u>	<u>117,600</u>	<u>-</u>
<u>(154,720)</u>	<u>23,153</u>	<u>(161,802)</u>	<u>674,158</u>	<u>-</u>
-	-	112,442	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>112,442</u>	<u>-</u>	<u>-</u>
<u>(154,720)</u>	<u>23,153</u>	<u>(49,360)</u>	<u>674,158</u>	<u>-</u>
<u>1,073,782</u>	<u>222,385</u>	<u>1,404,349</u>	<u>5,634,384</u>	<u>8,564</u>
<u>\$ 919,062</u>	<u>\$ 245,538</u>	<u>\$ 1,354,989</u>	<u>\$ 6,308,542</u>	<u>\$ 8,564</u>

Continued

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Capital Projects Funds - Continued**  
Year Ended June 30, 2011

	Fire Facilities	Totals
	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>		
Charges for Services	\$ 43,700	\$ 1,087,814
Investment Income	23,623	144,976
Miscellaneous	-	13,632
	<u>                    </u>	<u>                    </u>
Total Revenues	67,323	1,246,422
	<u>                    </u>	<u>                    </u>
<b>EXPENDITURES</b>		
Current:		
Public Works	22,659	269,203
Libraries	-	113,068
Capital Outlay	-	838,592
	<u>                    </u>	<u>                    </u>
Total Expenditures	22,659	1,220,863
	<u>                    </u>	<u>                    </u>
Excess (Deficiency) of Revenues Over Expenditures	44,664	25,559
	<u>                    </u>	<u>                    </u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	112,442
Transfers Out	-	-
	<u>                    </u>	<u>                    </u>
Total Other Financing Sources (Uses)	-	112,442
	<u>                    </u>	<u>                    </u>
Net Change in Fund Balances	44,664	138,001
Fund Balances, Beginning of Year	3,420,527	18,617,512
	<u>                    </u>	<u>                    </u>
Fund Balances, End of Year	<u>\$ 3,465,191</u>	<u>\$ 18,755,513</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Meeting Facilities Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Investment Income	8,000	4,566	(3,434)
Total Revenues	<u>8,000</u>	<u>4,566</u>	<u>(3,434)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Libraries	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,000</u>	<u>4,566</u>	<u>(3,434)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,000	4,566	(3,434)
Fund Balance, Beginning of Year	<u>561,554</u>	<u>561,554</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 569,554</u></u>	<u><u>\$ 566,120</u></u>	<u><u>\$ (3,434)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Facilities Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	100,000	59,322	(40,678)
Investment Income	40,000	35,307	(4,693)
Miscellaneous	-	-	-
Total Revenues	<u>140,000</u>	<u>94,629</u>	<u>(45,371)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	10,452	3,612	6,840
Capital Outlay	-	-	-
Total Expenditures	<u>10,452</u>	<u>3,612</u>	<u>6,840</u>
Excess (Deficiency) of Revenues over Expenditures	<u>129,548</u>	<u>91,017</u>	<u>(38,531)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	129,548	91,017	(38,531)
Fund Balance, Beginning of Year	<u>1,295,717</u>	<u>1,295,717</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,425,265</u>	<u>\$ 1,386,734</u>	<u>\$ (38,531)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Flood Control Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	341,800	21,442	(320,358)
Investment Income	80,000	23,766	(56,234)
Total Revenues	<u>421,800</u>	<u>45,208</u>	<u>(376,592)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	141,557	119,410	22,147
Libraries	-	-	-
Capital Outlay	1,313,936	458,550	855,386
Total Expenditures	<u>1,455,493</u>	<u>577,960</u>	<u>877,533</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,033,693)</u>	<u>(532,752)</u>	<u>500,941</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,033,693)	(532,752)	500,941
Fund Balance, Beginning of Year	<u>4,530,084</u>	<u>4,530,084</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,496,391</u>	<u>\$ 3,997,332</u>	<u>\$ 500,941</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Law Enforcement Facilities Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	115,000	36,905	(78,095)
Investment Income	4,000	3,982	(18)
Total Revenues	<u>119,000</u>	<u>40,887</u>	<u>(78,113)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	3,612	3,612	-
Capital Outlay	94,683	-	94,683
Total Expenditures	<u>98,295</u>	<u>3,612</u>	<u>94,683</u>
Excess (Deficiency) of Revenues over Expenditures	<u>20,705</u>	<u>37,275</u>	<u>16,570</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	20,705	37,275	16,570
Fund Balance, Beginning of Year	<u>466,166</u>	<u>466,166</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 486,871</u>	<u>\$ 503,441</u>	<u>\$ 16,570</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Park Development Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	251,000	108,975	(142,025)
Investment Income	12,000	6,215	(5,785)
Total Revenues	<u>263,000</u>	<u>115,190</u>	<u>(147,810)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	142,357	119,910	22,447
Capital Outlay	40,757	150,000	(109,243)
Total Expenditures	<u>183,114</u>	<u>269,910</u>	<u>(86,796)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>79,886</u>	<u>(154,720)</u>	<u>(234,606)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	79,886	(154,720)	(234,606)
Fund Balance, Beginning of Year	<u>1,073,782</u>	<u>1,073,782</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,153,668</u>	<u>\$ 919,062</u>	<u>\$ (234,606)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Valley Wide DVL Park Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	48,900	21,225	(27,675)
Investment Income	1,000	1,928	928
Total Revenues	<u>49,900</u>	<u>23,153</u>	<u>(26,747)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>49,900</u>	<u>23,153</u>	<u>(26,747)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	49,900	23,153	(26,747)
Fund Balance, Beginning of Year	<u>222,385</u>	<u>222,385</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 272,285</u>	<u>\$ 245,538</u>	<u>\$ (26,747)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Library Facilities Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	127,100	55,125	(71,975)
Investment Income	-	8,583	8,583
	<u>127,100</u>	<u>63,708</u>	<u>(63,392)</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Libraries	135,706	113,068	22,638
Capital Outlay	39,400	112,442	(73,042)
	<u>175,106</u>	<u>225,510</u>	<u>(50,404)</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>(48,006)</u>	<u>(161,802)</u>	<u>(113,796)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	112,442	112,442
Transfers Out	-	-	-
	<u>-</u>	<u>112,442</u>	<u>112,442</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(48,006)	(49,360)	(1,354)
Fund Balance, Beginning of Year	<u>1,404,349</u>	<u>1,404,349</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,356,343</u>	<u>\$ 1,354,989</u>	<u>\$ (1,354)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Equipment Replacement Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	741,000	741,120	120
Investment Income	30,000	37,006	7,006
Miscellaneous	-	13,632	13,632
	<u>771,000</u>	<u>791,758</u>	<u>20,758</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	90,000	117,600	(27,600)
	<u>90,000</u>	<u>117,600</u>	<u>(27,600)</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>681,000</u>	<u>674,158</u>	<u>(6,842)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	681,000	674,158	(6,842)
Fund Balance, Beginning of Year	<u>5,634,384</u>	<u>5,634,384</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,315,384</u>	<u>\$ 6,308,542</u>	<u>\$ (6,842)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Investment Income	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	-	-	-
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
General Governmental	-	-	-
Public Works	-	-	-
Capital Outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	8,564	8,564	-
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	<u>\$ 8,564</u>	<u>\$ 8,564</u>	<u>\$ -</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Fire Facilities Capital Projects Fund**  
Year Ended June 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	133,600	43,700	(89,900)
Investment Income	6,000	23,623	17,623
Miscellaneous	336,122	-	(336,122)
Total Revenues	<u>475,722</u>	<u>67,323</u>	<u>(408,399)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	-	-	-
Public Works	2,857	22,659	(19,802)
Capital Outlay	379,945	-	379,945
Total Expenditures	<u>382,802</u>	<u>22,659</u>	<u>360,143</u>
Excess (Deficiency) of Revenues over Expenditures	<u>92,920</u>	<u>44,664</u>	<u>(48,256)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	92,920	44,664	(48,256)
Fund Balance, Beginning of Year	<u>3,420,527</u>	<u>3,420,527</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,513,447</u>	<u>\$ 3,465,191</u>	<u>\$ (48,256)</u>

**City of Hemet**  
**Balance Sheet**  
**Non-major Permanent Funds**  
June 30, 2011

	<u>LaSalle Library Endowment</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,037,297	\$ 1,037,297
Total Assets	<u>1,037,297</u>	<u>1,037,297</u>
<b>LIABILITIES</b>		
Deposits	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances:		
Nonspendable	1,000,000	1,000,000
Restricted	<u>37,297</u>	<u>37,297</u>
Total Fund Balances	<u>1,037,297</u>	<u>1,037,297</u>
Total Liabilities and Fund Balances	<u>\$ 1,037,297</u>	<u>\$ 1,037,297</u>

**City of Hemet**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Permanent Funds**  
Year Ended June 30, 2011

	<u>LaSalle Library Endowment</u>	<u>Total</u>
<b>REVENUES</b>		
Investment Income	\$ 16,780	\$ 16,780
Total Revenues	<u>16,780</u>	<u>16,780</u>
<b>EXPENDITURES</b>		
Current:		
Libraries	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,780</u>	<u>16,780</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	1,132,959	1,132,959
Transfers Out	<u>(112,442)</u>	<u>(112,442)</u>
Total Other Financing Sources (Uses)	<u>1,020,517</u>	<u>1,020,517</u>
Net Change in Fund Balances	1,037,297	1,037,297
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,037,297</u></u>	<u><u>\$ 1,037,297</u></u>

**City of Hemet**  
**Internal Service Funds**

**INTERNAL SERVICE FUNDS**

**Administrative Services** - Accounts for the central administrative services funded by interdepartmental allocation.

**Workers' Compensation** - Accounts for the financial transactions of a self-insured workers' compensation program

**Medical Insurance** - Accounts for the financial transactions of a self-insured employer active employee medical, dental and vision insurance program.

**Liability Insurance** - Accounts for the financial transactions of an external liability program.

**OPEB** - Accounts for financial transactions of a self-insured employer retiree medical, dental and vision insurance program.

**City of Hemet**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
June 30, 2011

	<u>Admin Services</u>	<u>Workers' Compensation Admin</u>	<u>Medical Insurance Admin</u>
<b>ASSETS</b>			
Current:			
Cash and Investments	\$ 2,389,571	\$ 2,281,030	\$ 937,373
Accounts Receivable	3,106	-	-
Inventory	81,026	-	-
	<u>2,473,703</u>	<u>2,281,030</u>	<u>937,373</u>
Total Current Assets			
Property, Plant and Equipment:			
Capital Assets	3,594,268	-	-
Less Accumulated Depreciation	<u>(3,452,365)</u>	<u>-</u>	<u>-</u>
	<u>141,903</u>	<u>-</u>	<u>-</u>
Total Property, Plant and Equipment			
	<u>2,615,606</u>	<u>2,281,030</u>	<u>937,373</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts Payable	419,643	8,958	-
Accrued Salaries and Benefits	49,504	-	-
Due to Other Funds	-	-	-
Claims and Judgments Payable	<u>-</u>	<u>42,622</u>	<u>56,544</u>
	<u>469,147</u>	<u>51,580</u>	<u>56,544</u>
Total Liabilities			
Net Assets:			
Invested in Capital Assets, Net of Related Debt	141,903	-	-
Unrestricted	<u>2,004,556</u>	<u>2,229,450</u>	<u>880,829</u>
	<u>\$ 2,146,459</u>	<u>\$ 2,229,450</u>	<u>\$ 880,829</u>
Total Net Assets			

<u>Liability Insurance</u>	<u>OPEB</u>	<u>Total</u>
\$ 854,701	\$ 335,464	\$ 6,798,139
2,099	309	5,514
<u>-</u>	<u>-</u>	<u>81,026</u>
<u>856,800</u>	<u>335,773</u>	<u>6,884,679</u>
-	-	3,594,268
<u>-</u>	<u>-</u>	<u>(3,452,365)</u>
<u>-</u>	<u>-</u>	<u>141,903</u>
<u>856,800</u>	<u>335,773</u>	<u>7,026,582</u>
24,467	616	453,684
-	45,018	94,522
-	-	-
<u>1,769,030</u>	<u>18,816</u>	<u>1,887,012</u>
<u>1,793,497</u>	<u>64,450</u>	<u>2,435,218</u>
-	-	141,903
<u>(936,697)</u>	<u>271,323</u>	<u>4,449,461</u>
<u>\$ (936,697)</u>	<u>\$ 271,323</u>	<u>\$ 4,591,364</u>

**City of Hemet**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
June 30, 2011

	Admin Services	Workers' Compensation Admin	Medical Insurance Admin
<b>OPERATING REVENUE</b>			
Charges for Services	\$ 7,544,012	\$ 1,331,298	\$ 369,899
Total Operating Revenue	<u>7,544,012</u>	<u>1,331,298</u>	<u>369,899</u>
<b>OPERATING EXPENSES</b>			
Personal Services	4,159,941	225,754	16,173
Parts and Supplies	107,434	-	-
Maintenance	1,398,140	-	-
Utilities	658,909	-	-
Contracts, Rents and Leases	250,109	-	-
Insurance	87,396	897,244	-
Claims and Judgments	-	9,477	435,133
General Office	3,121	-	-
Depreciation	65,289	-	-
Total Operating Expenses	<u>6,730,339</u>	<u>1,132,475</u>	<u>451,306</u>
Operating Income (Loss)	<u>813,673</u>	<u>198,823</u>	<u>(81,407)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Interest Expense	-	-	-
Miscellaneous	(1,384)	-	-
Total Nonoperating Revenue (Expenses)	<u>(1,384)</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers and Capital Contributions	812,289	198,823	(81,407)
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	(59,196)	(300,000)	(669,100)
Change in Net Assets	753,093	(101,177)	(750,507)
Net Assets, Beginning	<u>1,393,366</u>	<u>2,330,627</u>	<u>1,631,336</u>
Net Assets, Ending	<u>\$ 2,146,459</u>	<u>\$ 2,229,450</u>	<u>\$ 880,829</u>

Liability Insurance	OPEB	Total
\$ 999,947	\$ 3,291,812	\$ 13,536,968
<u>999,947</u>	<u>3,291,812</u>	<u>13,536,968</u>
51,410	9,279	4,462,557
-	-	107,434
-	-	1,398,140
-	-	658,909
46,302	-	296,411
298,353	-	1,282,993
1,057,352	2,673,857	4,175,819
3,167	-	6,288
<u>-</u>	<u>-</u>	<u>65,289</u>
<u>1,456,584</u>	<u>2,683,136</u>	<u>12,453,840</u>
<u>(456,637)</u>	<u>608,676</u>	<u>1,083,128</u>
-	-	-
<u>-</u>	<u>-</u>	<u>(1,384)</u>
<u>-</u>	<u>-</u>	<u>(1,384)</u>
(456,637)	608,676	1,081,744
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>(1,028,296)</u>
(456,637)	608,676	53,448
<u>(480,060)</u>	<u>(337,353)</u>	<u>4,537,916</u>
<u>\$ (936,697)</u>	<u>\$ 271,323</u>	<u>\$ 4,591,364</u>

## **City of Hemet Agency Funds**

### **AGENCY FUNDS**

**Pass Thru Fees** - Accounts for the developer fees collected by the City on behalf of the County of Riverside. Those fees are remitted periodically to the County.

**Payroll Deposits** - Accounts for amounts held by the City on behalf of its employees for payment of taxes, insurance, and other voluntary deductions.

**Heartland 1999 - 1 CFD 2006 Refunding Series** - Accounts for the financial transacting of a special tax bond issue which is financing the off-site improvements of a housing community and a golf course.

**City of Hemet**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
June 30, 2011

	Pass Thru Fees	Payroll Deposits	Heartland 2006	Total Agency Funds
<b>ASSETS</b>				
Cash and Investments	\$ 41,315	\$ 496,047	\$ 3,296,973	\$ 3,834,335
Accounts Receivables	-	3,565	38,992	42,557
	<u>\$ 41,315</u>	<u>\$ 499,612</u>	<u>\$ 3,335,965</u>	<u>\$ 3,876,892</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 13,495	\$ 464,023	-	\$ 477,518
Deposits	27,820	35,589	3,335,965	3,399,374
	<u>\$ 41,315</u>	<u>\$ 499,612</u>	<u>\$ 3,335,965</u>	<u>\$ 3,876,892</u>

**City of Hemet**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Pass Thru Fees Agency Fund**  
Year Ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and Investments	\$ 295,278	\$ 474,627	\$ 728,590	\$ 41,315
Due from Other Governmental Agencies	-	-	-	-
	<u>\$ 295,278</u>	<u>\$ 474,627</u>	<u>\$ 728,590</u>	<u>\$ 41,315</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 267,793	\$ 474,292	\$ 728,590	\$ 13,495
Deposits	27,485	321,427	321,092	27,820
	<u>\$ 295,278</u>	<u>\$ 795,719</u>	<u>\$ 1,049,682</u>	<u>\$ 41,315</u>

**City of Hemet**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Payroll Deposits Agency Fund**  
Year Ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and Investments	\$ 1,048,789	\$ 51,410,330	\$ 51,963,072	\$ 496,047
Accounts Receivable	6,737	62,702	65,874	3,565
	<u>\$ 1,055,526</u>	<u>\$ 51,473,032</u>	<u>\$ 52,028,946</u>	<u>\$ 499,612</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 280,385	\$ 67,240,959	\$ 67,057,321	\$ 464,023
Deposits	775,141	688,682	1,428,234	35,589
	<u>\$ 1,055,526</u>	<u>\$ 67,929,641</u>	<u>\$ 68,485,555</u>	<u>\$ 499,612</u>

**City of Hemet**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Heartland CFD 2006 Agency Fund**  
Year Ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and Investments	\$ 2,595,306	\$ 5,854,085	\$ 5,152,418	\$ 3,296,973
Due from Other Government Agencies	-	38,992	-	38,992
	<u>\$ 2,595,306</u>	<u>\$ 5,893,077</u>	<u>\$ 5,152,418</u>	<u>\$ 3,335,965</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Deposits	<u>\$ 2,595,306</u>	<u>\$ 2,140,688</u>	<u>\$ 1,400,029</u>	<u>\$ 3,335,965</u>
	<u>\$ 2,595,306</u>	<u>\$ 2,140,688</u>	<u>\$ 1,400,029</u>	<u>\$ 3,335,965</u>