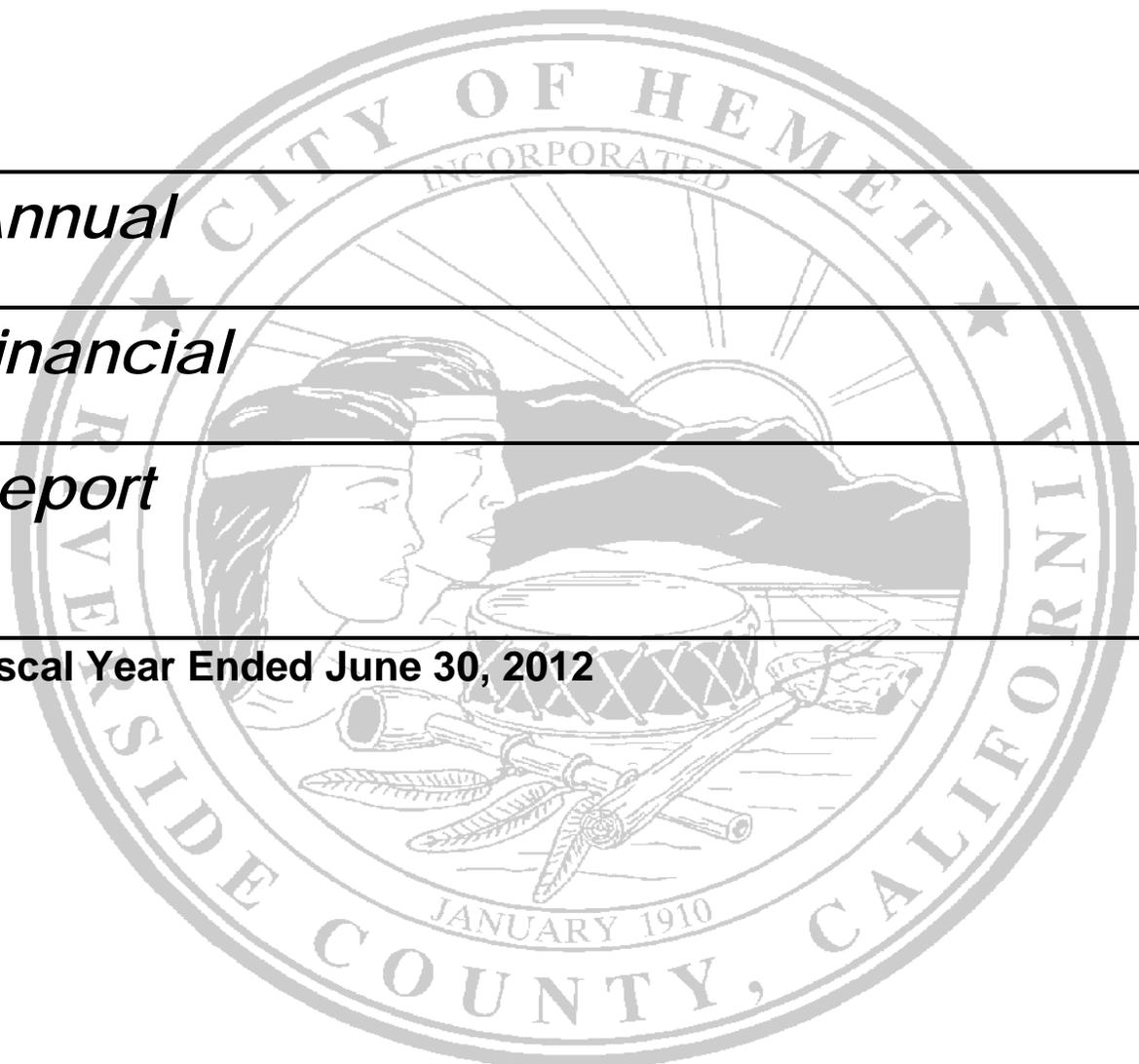

Annual

Financial

Report

Fiscal Year Ended June 30, 2012



H *City of*
emet
California

CITY OF HEMET, CALIFORNIA

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

**City of Hemet
Annual Financial Report
Year Ended June 30, 2012**

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1 - 2
Management Discussion & Analysis	3 - 14
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16 - 17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18 - 19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21 - 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Funds	
Statement of Net Assets	24 - 25
Statement of Revenues, Expenses, and Changes in Net Assets	26 - 27
Statement of Cash Flows	28 - 31
Statement of Fiduciary Net Assets	32
Statement of Changes in Fiduciary Net Assets	33
Notes to Financial Statements	34 - 64
Required Supplementary Information:	
Schedule of Funding Progress	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	66
Public Safety CFD Special Revenue Fund	67
Housing Authority Special Revenue Fund	68
Sewer and Storm Drain Special Revenue Fund	69
Notes to Required Supplementary Information	70
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Redevelopment Agency Capital Projects Fund	71
Redevelopment Agency Debt Service Fund	72
Non-Major Governmental Funds:	73 - 75
Combining Balance Sheet	76
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	77
Non-Major Special Revenue Funds	
Combining Balance Sheet	78 - 81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	82 - 85
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Public Safety/Towing Fund	86

**City of Hemet
Annual Financial Report
Year Ended June 30, 2012**

TABLE OF CONTENTS - Continued

	PAGE
Supplementary Information - Continued:	
Gas Tax	87
Measure A Taxes	88
Article 3	89
Air Pollution Reduction	90
Lighting/Landscaping Maintenance	91
ISTEA	92
Post Prop 218 Lighting	93
Post Prop 218 Landscape	94
Asset Seizure	95
Public Safety Grants	96
COPS/AB 3229	97
Local Law Enforcement Block Grant	98
Community Development Block Grant	99
General Plan	100
HOME Program	101
RDA Low/Mod Housing Special Revenue Fund	102
CalHome Grant	103
2001 - 2008 HOME Program	104
Neighborhood Stabilization Program Grant	105
Non-Major Capital Projects Funds	
Combining Balance Sheet	106 - 108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	109 - 111
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Public Meeting Facilities	112
General Facilities	113
Flood Control	114
Law Enforcement Facilities	115
Park Development	116
Valley Wide DVL Park	117
Library Facilities	118
Equipment Replacement	119
General Capital	120
Fire Facilities	121
Bridges/Streets Traffic Facilities	122
Non-Major Permanent Fund	
Balance Sheet	123
Statement of Revenues, Expenditures, and Changes in Fund Balances	124
Non-Major Internal Service Funds	125
Combining Statement of Net Assets	126 - 127
Combining Statement of Revenues, Expenditures, and Changes in Net Assets	128 - 129
Non-Major Agency Funds:	130
Combining Statement of Fiduciary Assets and Liabilities	131
Statement of Changes in Fiduciary Assets and Liabilities	
Pass Thru Fees	132
Payroll Deposit	133
Heartland CFD 2006	134

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, 2012, 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 City's June 30, 2011 financial statements and, in our report dated May 30, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, there have been recent changes in legislation affecting redevelopment agencies in the State of California which required the dissolution of redevelopment agencies as of February 1, 2012, including the Hemet Redevelopment Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 supplementary information is 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.

Jeannan Ramirez & Smith, LLC

March 5, 2013

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, 2012. 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.

Financial Highlights

- In October 2011, the City Council approved a franchise agreement with CR&R Inc, to provide refuse services within City limits. CR&R began providing services on December 1, 2011 under the 20 year franchise agreement.
- The Hemet Redevelopment Agency was dissolved on February 1, 2012 as a result of Assembly Bill 1X 26. The City of Hemet elected to become the Successor Agency for the former Hemet Redevelopment Agency. Assets and Liabilities of the former redevelopment agency were transferred from governmental funds to fiduciary funds.

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 non-major 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.

CITY OF HEMET

Management's Discussion and Analysis

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.

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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities • Statement of changes in fiduciary assets and liabilities
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)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 71.1	\$ 77.0	\$ 16.3	\$ 13.7	\$ 87.4	\$ 90.7
Capital assets	332.5	332.6	4.0	6.1	336.5	338.7
Total assets	\$ 403.6	\$ 409.6	\$ 20.3	\$ 19.8	\$ 423.9	\$ 429.4
Long-term debt outstanding	\$ 6.9	\$ 19.2	\$ 0.1	\$ 1.0	\$ 7.0	\$ 20.2
Other liabilities	<u>7.4</u>	<u>10.8</u>	<u>2.2</u>	<u>3.2</u>	<u>9.6</u>	<u>14.0</u>
Total liabilities	\$ 14.3	\$ 30.0	\$ 2.3	\$ 4.2	\$ 16.6	\$ 34.2
Net assets:						
Invested in capital assets, net of debt	\$ 332.5	\$ 320.3	\$ 3.7	\$ 4.6	\$ 336.2	\$ 324.9
Restricted	42.0	58.7	-	-	42.0	58.7
Unrestricted	14.8	0.3	14.2	11.0	29.0	11.3
Total net assets	<u>\$ 389.3</u>	<u>\$ 379.3</u>	<u>\$ 17.9</u>	<u>\$ 15.6</u>	<u>\$ 407.2</u>	<u>\$ 394.9</u>

CITY OF HEMET
Management's Discussion and Analysis

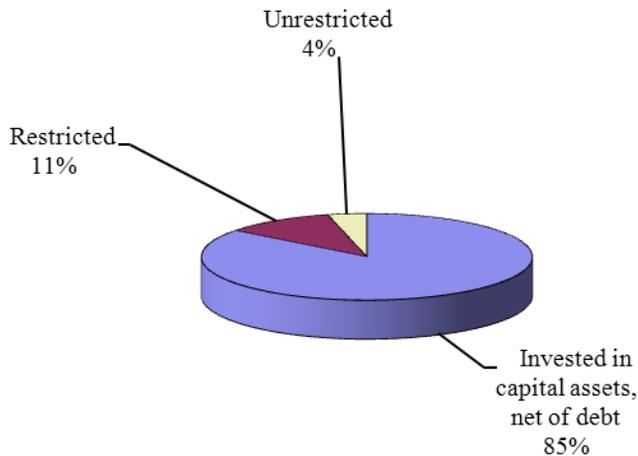
A summary of the government-wide *statement of activities* follows:

Table 2 Changes in net Assets (in_Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 10.6	\$ 13.6	\$ 11.9	\$ 17.4	\$ 22.5	\$ 31.0
Operating grants/contributions	3.2	3.5	-	-	3.2	3.5
Capital grants/contributions	6.4	8.7	-	-	6.4	8.7
General revenues:						
Property taxes	7.8	10.7	-	-	7.8	10.7
Other taxes	18.7	16.6	-	-	18.7	16.6
Other general revenues	0.5	0.6	0.3	0.1	0.8	0.7
Gain on Sale of Assets	-	-	1.8	-	1.8	-
Transfers	(2.2)	-	2.2	-	-	-
Total revenues	<u>\$ 45.0</u>	<u>\$ 53.7</u>	<u>\$ 16.2</u>	<u>\$ 17.5</u>	<u>\$ 61.2</u>	<u>\$ 71.2</u>
Program expenses						
General government	\$ 1.9	\$ 0.9	\$ -	\$ -	\$ 1.9	\$ 0.9
Public safety	26.1	27.3	-	-	26.1	27.3
Community development	4.4	7.3	-	-	4.4	7.3
Public works	11.7	12.4	-	-	11.7	12.4
Sanitation	1.6	2.4	-	-	1.6	2.4
Parks and library	2.3	2.5	-	-	2.3	2.5
Interest on long-term debt	0.3	0.8	-	-	0.3	0.8
Water and refuse	-	-	13.9	17.6	13.9	17.6
Total expenses	<u>\$ 48.3</u>	<u>\$ 53.6</u>	<u>\$ 13.9</u>	<u>\$ 17.6</u>	<u>\$ 62.2</u>	<u>\$ 71.2</u>
Excess (deficiency) before special items and transfers	\$ (3.3)	\$ 0.1	\$ 2.3	\$ (0.1)	\$ (1.0)	\$ -
Special Items	\$ 12.5	\$ -	\$ -	\$ -	\$ 12.5	\$ -
Extraordinary Items	\$ (2.0)	\$ -	\$ -	\$ -	\$ (2.0)	\$ -
Beginning Net Assets	<u>\$ 382.1</u>	<u>\$ 379.3</u>	<u>\$ 15.6</u>	<u>\$ 15.7</u>	<u>\$ 397.7</u>	<u>\$ 394.9</u>
Ending Net Assets	<u>\$ 389.3</u>	<u>\$ 379.4</u>	<u>\$ 17.9</u>	<u>\$ 15.6</u>	<u>\$ 407.2</u>	<u>\$ 395.0</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 increased by 2.6% (\$389.3 million compared to \$379.3 million, as stated) in 2012. *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 – increased from \$0.3 million in 2011 to \$14.8 million in 2012. This change is mainly due to the franchise agreement with CR&R for Refuse Services. The net assets of the City's business-type activities increased by 14.7% (\$17.9 million compared to \$15.6 million) in 2012 as a result of the sale of the Refuse department assets. 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 a decrease in the 2012 year of 16.2% (\$8.7 million). The major categories contributing to this revenue decrease were tax revenues no longer received as a result of the dissolution of the Hemet Redevelopment Agency. Expenses in governmental activities saw a decrease of \$5.3 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 \$48.3 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 \$27 million because some of the cost was paid by those who directly benefited from the programs (\$10.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.6 million).

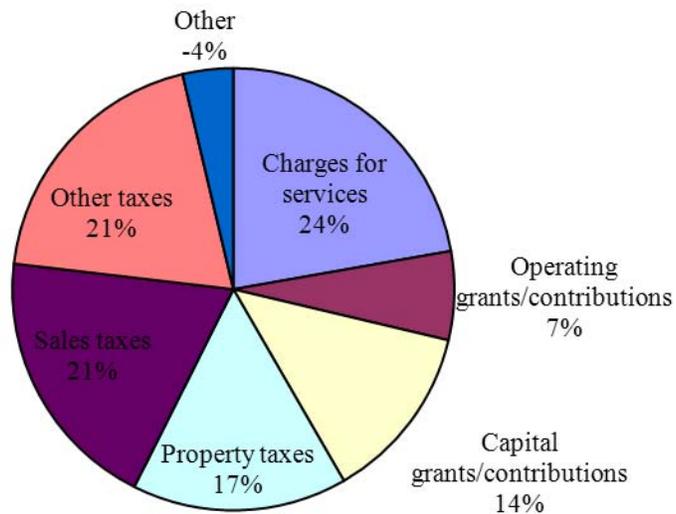
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- Property tax revenue from the former redevelopment agency was no longer received after January 31, 2012 as a result of the dissolution.

CITY OF HEMET
Management's Discussion and Analysis

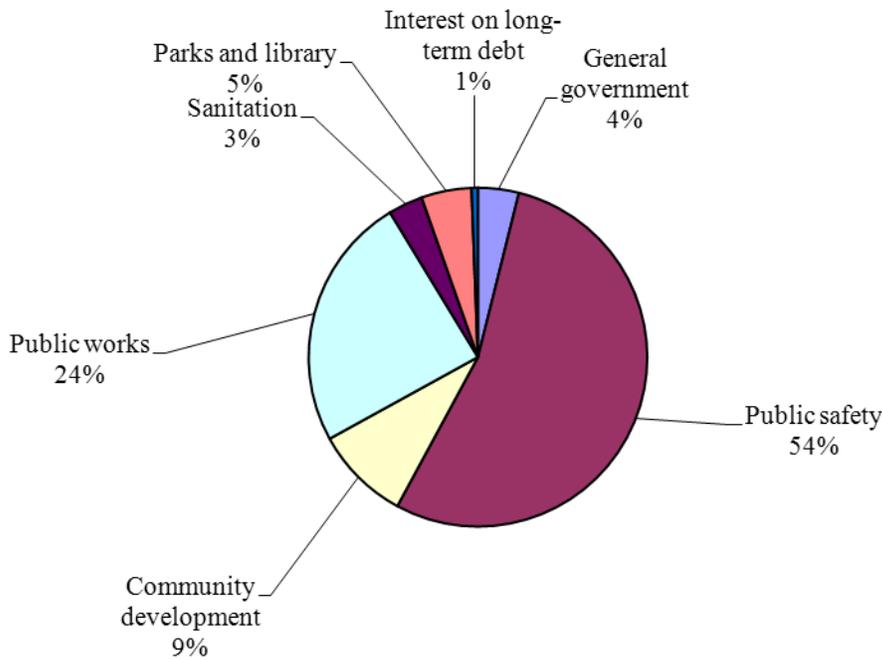
- General fund Franchise and Other tax revenue increased by \$1.93 million compared to the 2011 year. This increase is a result of the franchise agreement with CR&R.
- General fund community development charges for services and license and permit revenues saw a reduction of \$322,673. This reduction is due to the continuing slow economy.
- Governmental activities expenditures related to public safety decreased \$1.2 million. 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 \$145,769. This decrease was the result of a continued 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 \$5.45 million (\$11.9 million in 2012 compared to \$17.4 million in 2011) and operating expenses decreased by \$3.7 million.

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. As of December 1, 2011, the City was no longer charging for Refuse services as a result of the franchise agreement with CR&R.
- Water commodity and base fees, components of charges for services, showed an increase of nearly 5%, which is attributed to the decrease in foreclosures and therefore vacancies.
- Operating expenses for the water enterprise increased by \$1.7 million in the current fiscal year. The increase is a result of the City entering into a Groundwater Management Plan. The cost for the initial year of participation was \$2.3 million.
- Operating expenses for the refuse enterprise had a decrease of \$5.45 million in 2012. This is attributed to the franchise agreement with CR&R. The City's refuse department stopped providing refuse services as of December 1, 2011.

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 \$6,723,631, while total fund balance was \$17.7 million. Fund balance increased \$15 million in 2012 mainly due to the franchise agreement with CR&R for Refuse services.

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 decreased \$955,519 from 2011. Of this amount, tax revenues increased by nearly \$2.1 million which was a combination of sales tax collections and property taxes. Licenses and permits had a decrease of \$638,729 this year.
- General Fund expenditures decreased nearly \$1 million from 2011. Public safety, community development and the library expenditures decreased as planned in the budget process.
- Public safety expenditures decreased nearly \$1.5 million from 2011 as a result of the City's continued cost cutting efforts.
- Library expenditures increased by \$21,870 compared to 2011.
- Community development expenditures decreased by \$112,597. This decrease was mainly due to a decrease in foreclosures within the City compared to 2011.

Major Special Revenue Fund. With the dissolution of the Hemet Redevelopment Agency, properties for Low and Moderate Income Housing were transferred to the Hemet Housing Authority. The result of this transfer was an increase of \$1.5 million in assets for the Hemet Housing Authority. These properties are being held by the Housing Authority for future development of Low and Moderate Income Housing within the City. Any cash balance as of January 31, 2012 in these funds was set aside to be returned to the County for distribution to pass-thru agencies.

Major Debt Service Funds. The former Hemet Redevelopment Agency consisted of five project areas that were formed as specific geographic areas within the City of Hemet. Fund balance decreased by \$7,038,995 in 2012. This decrease is a result of AB 1X 26. All cash balances as of January 31, 2012 were set aside to be returned to the County for distribution to pass-thru agencies.

Major Capital Project Funds. The former Hemet Redevelopment Agency consisted of five project areas that were formed as specific geographic areas within the City of Hemet. All fund balances of these funds were transferred to the Successor Agency for completion of contracted agreements already in place when the RDA dissolution occurred. Any balances as of January 31, 2011 in excess of these agreements were set aside to be returned to the County for distribution to pass-thru agencies.

Major Enterprise Funds. Total net assets of the **Water Fund** at the end of the year amounted to \$12.6 million and those for the **Refuse Fund** amounted to \$5.2 million. The **Water Fund** had a decrease in net assets totaling \$963,701, and the **Refuse Fund** had an increase in net assets totaling \$3.2 million. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

CITY OF HEMET
Management's Discussion and Analysis

GENERAL FUND BUDGET

The slow economy has continued to affect General Fund revenues. However, we continue to 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 \$1.05 million in 2012. This was primarily due to an increase in sales tax and a smaller drop in property tax revenues.
- License and permit had a shortfall from budget expectations of \$95,327 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 11.84	\$ 11.84	\$ 0.03	\$ 0.03	\$ 11.87	\$ 11.87
Rights of way	189.67	188.00	-	-	189.67	188.00
Buildings and improvements	16.20	16.82	3.49	4.46	19.69	21.28
Machinery and equipment	3.61	4.17	0.46	1.63	4.07	5.80
Infrastructure	110.75	111.51	-	-	110.75	111.51
Construction in progress	<u>0.46</u>	<u>2.07</u>	<u>-</u>	<u>-</u>	<u>0.46</u>	<u>2.07</u>
Total	<u>\$332.53</u>	<u>\$334.41</u>	<u>\$ 3.98</u>	<u>\$ 6.12</u>	<u>\$336.51</u>	<u>\$340.53</u>

The most significant City infrastructure project completed in 2012 was the Sewer Replacement Project. This project totaled over \$1.1 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)

CITY OF HEMET
Management's Discussion and Analysis

LONG-TERM DEBT

At the end of the current fiscal year, the Successor Agency to the former Hemet Redevelopment Agency, a Fiduciary Fund, had bonded debt outstanding of \$13,685,000. The Successor Agency's total debt decreased by \$405,000 during the current fiscal year.

Capital leases outstanding in the Enterprise funds at the end of the current fiscal year amount to \$285,651. The net adjustments to long-term debt for claims payable and compensated absences were decreases of \$1,363,645 and \$203,383 respectively.

	Outstanding Debt (in thousands)					
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Certificates of participation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	-	14,090	-	-	-	14,090
OPEB	6,774	5,378	-	-	6,774	5,378
Compensated absences	2,416	2,485	155	289	2,571	2,774
Claims Payable	523	1,887	-	-	523	1,887
Capital Leases	<u>-</u>	<u>-</u>	<u>286</u>	<u>1,502</u>	<u>286</u>	<u>1,502</u>
Total	<u>\$9,713</u>	<u>\$23,840</u>	<u>\$441</u>	<u>\$1,791</u>	<u>\$10,154</u>	<u>\$25,631</u>

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)

CITY OF HEMET
Management's Discussion and Analysis

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

This page intentionally left blank

City of Hemet
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
Cash and Investments	\$ 52,746,132	\$ 14,576,750	\$ 67,322,882	\$ 67,941,818
Receivables:				
Accounts	3,681,068	1,575,083	5,256,151	4,288,310
Taxes	1,569,967	-	1,569,967	-
Interest	551,144	-	551,144	483,055
Due from Other Governments	1,794,298	123,125	1,917,423	5,365,833
Due from Fiduciary Funds	347,736	-	347,736	-
Inventories	171,593	-	171,593	81,326
Prepaid Items	11,838	5,399	17,237	24,161
Notes Receivable	11,033,028	-	11,033,028	11,479,115
Allowance for Forgivable Notes	(5,029,889)	-	(5,029,889)	(4,828,058)
Land Held for Resale	4,227,273	-	4,227,273	4,227,273
Capital Assets:				
Land	11,839,690	32,975	11,872,665	11,872,665
Rights of Way	189,673,274	-	189,673,274	188,002,321
Construction in Process	456,899	-	456,899	2,066,219
Other Capital Assets, Net	130,553,575	3,946,621	134,500,196	138,598,407
Total Assets	403,627,626	20,259,953	423,887,579	429,602,445
LIABILITIES				
Accounts Payable	2,250,569	220,901	2,471,470	2,904,708
Accrued Salaries and Benefits	261,588	23,441	285,029	879,233
Accrued Liabilities	58,148	5,399	63,547	487,132
Deposits	2,025,637	1,518,767	3,544,404	4,250,097
Arbitrage Rebate Payable	-	-	-	7,497
Accrued Interest	-	186,181	186,181	448,165
Noncurrent Liabilities:				
Due Within One Year	2,830,962	293,689	3,124,651	5,420,088
Due in More Than One Year	6,882,856	146,574	7,029,430	20,212,022
Total Liabilities	14,309,760	2,394,952	16,704,712	34,608,942
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	332,523,438	3,693,945	336,217,383	324,946,960
Restricted for:				
Community Development	8,672,881	-	8,672,881	24,863,135
Public Works	29,160,204	-	29,160,204	30,272,821
Sanitation	3,118,824	-	3,118,824	2,561,041
Libraries:				
Expendable	50,616	-	50,616	37,297
Nonexpendable	1,000,000	-	1,000,000	1,000,000
Unrestricted	14,791,903	14,171,056	28,962,959	11,312,249
Total Net Assets	\$ 389,317,866	\$ 17,865,001	\$ 407,182,867	\$ 394,993,503

The accompanying notes are an integral part of this statement.

City of Hemet
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,870,087	\$ 1,030,589	\$ 53,816	\$ 139,791
Public Safety	26,114,480	1,185,314	2,782,690	76,616
Community Development	4,367,089	795,268	338,285	189,075
Public Works	11,699,593	4,742,678	-	5,855,544
Sanitation	1,596,353	2,787,564	-	-
Parks	617,086	-	-	129,040
Libraries	1,688,802	50,069	44,414	54,640
Interest and Related Charges on Long-term Debt	363,388	-	-	-
Total Governmental Activities	48,316,878	10,591,482	3,219,205	6,444,706
Business-type Activities:				
Refuse	5,059,028	4,159,877	-	-
Water	8,880,782	7,767,924	-	-
Total Business-type Activities	13,939,810	11,927,801	-	-
Total Primary Government	\$ 62,256,688	\$ 22,519,283	\$ 3,219,205	\$ 6,444,706

General Revenues:

Taxes:

- Property Taxes
- Transient Occupancy Taxes
- Sales Taxes
- Motor Vehicle in Lieu Taxes (Unrestricted)
- Franchise and Other Taxes
- Investment Income
- Miscellaneous
- Gain on Sale of Capital Assets
- Transfers

Total General Revenues and Transfers

- Special Items
- Extraordinary Items

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	
		2012	2011
\$ (645,891)	\$ -	\$ (645,891)	\$ 2,020,596
(22,069,860)	-	(22,069,860)	(23,868,913)
(3,044,461)	-	(3,044,461)	(4,152,079)
(1,101,371)	-	(1,101,371)	759,921
1,191,211	-	1,191,211	412,981
(488,046)	-	(488,046)	(632,655)
(1,539,679)	-	(1,539,679)	(1,588,357)
<u>(363,388)</u>	<u>-</u>	<u>(363,388)</u>	<u>(759,573)</u>
<u>(28,061,485)</u>	<u>-</u>	<u>(28,061,485)</u>	<u>(27,808,079)</u>
-	(899,151)	(899,151)	(537,462)
<u>-</u>	<u>(1,112,858)</u>	<u>(1,112,858)</u>	<u>271,327</u>
<u>-</u>	<u>(2,012,009)</u>	<u>(2,012,009)</u>	<u>(266,135)</u>
<u>(28,061,485)</u>	<u>(2,012,009)</u>	<u>(30,073,494)</u>	<u>(28,074,214)</u>
7,812,806	-	7,812,806	10,647,809
585,725	-	585,725	602,781
9,426,498	-	9,426,498	9,436,042
4,783,110	-	4,783,110	5,178,849
3,354,193	-	3,354,193	1,421,998
571,822	183,020	754,842	548,258
448,064	69,591	517,655	239,164
-	1,830,042	1,830,042	-
<u>(2,185,115)</u>	<u>2,185,115</u>	<u>-</u>	<u>-</u>
<u>24,797,103</u>	<u>4,267,768</u>	<u>29,064,871</u>	<u>28,074,901</u>
12,500,000	-	12,500,000	-
<u>(2,045,331)</u>	<u>-</u>	<u>(2,045,331)</u>	<u>-</u>
7,190,287	2,255,759	9,446,046	687
379,384,261	15,609,242	394,993,503	395,312,297
<u>2,743,318</u>	<u>-</u>	<u>2,743,318</u>	<u>(319,481)</u>
<u>\$ 389,317,866</u>	<u>\$ 17,865,001</u>	<u>\$ 407,182,867</u>	<u>\$ 394,993,503</u>

The accompanying notes are an integral part of this statement.

City of Hemet
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue		
		Public Safety CFD	Housing Authority	Sewer and Storm Drain
ASSETS				
Cash and Investments	\$ 13,918,315	\$ -	\$ 521	\$ 3,077,964
Receivables:				
Accounts	612,480	177,889	3,500	1,056,723
Taxes	1,569,967	-	-	-
Interest	135,029	-	211,578	-
Due from Other Governments	387,405	-	-	-
Due from Other Funds	-	-	-	-
Inventories	300	-	-	-
Prepaid Items	11,838	-	-	-
Advances to Other Funds	1,000,000	-	-	-
Notes Receivable	-	-	3,468,705	-
Allowance for Forgivable Notes	-	-	(1,265,249)	-
Land Held for Resale	2,208,773	-	1,482,500	-
	<u>2,208,773</u>	<u>-</u>	<u>1,482,500</u>	<u>-</u>
Total Assets	<u>\$ 19,844,107</u>	<u>\$ 177,889</u>	<u>\$ 3,901,555</u>	<u>\$ 4,134,687</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 253,851	\$ -	\$ -	\$ 937,342
Accrued Salaries and Benefits	204,497	5,127	-	8,521
Accrued Liabilities	58,148	-	-	-
Deposits	1,443,881	-	5,733	-
Due to Other Funds	-	484,502	-	-
Deferred Revenue	184,328	-	2,412,035	75,865
Arbitrage Rebate Payable	-	-	-	-
Advances from Other Funds	-	1,000,000	-	-
	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,144,705</u>	<u>1,489,629</u>	<u>2,417,768</u>	<u>1,021,728</u>
Fund Balances:				
Nonspendable	3,220,911	-	-	-
Restricted	-	-	1,483,787	3,112,959
Committed	7,439,075	-	-	-
Assigned	315,785	-	-	-
Unassigned	6,723,631	(1,311,740)	-	-
	<u>6,723,631</u>	<u>(1,311,740)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>17,699,402</u>	<u>(1,311,740)</u>	<u>1,483,787</u>	<u>3,112,959</u>
Total Liabilities and Fund Balances	<u>\$ 19,844,107</u>	<u>\$ 177,889</u>	<u>\$ 3,901,555</u>	<u>\$ 4,134,687</u>

The accompanying notes are an integral part of this statement.

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total Governmental Funds</u>	
<u>Redevelopment</u>	<u>Redevelopment</u>	<u>Governmental Funds</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 29,822,932	\$ 46,819,732	\$ 55,416,228
-	-	229,096	2,079,688	1,488,761
-	-	-	1,569,967	-
-	-	204,537	551,144	483,055
-	-	1,406,893	1,794,298	5,213,358
-	-	1,786,450	1,786,450	-
-	-	-	300	300
-	-	-	11,838	18,762
-	-	354,137	1,354,137	1,354,137
-	-	7,564,323	11,033,028	11,479,115
-	-	(3,764,640)	(5,029,889)	(4,828,058)
-	-	536,000	4,227,273	4,227,273
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,139,728</u>	<u>\$ 66,197,966</u>	<u>\$ 74,852,931</u>
\$ -	\$ -	\$ 650,694	\$ 1,841,887	\$ 2,086,064
-	-	25,994	244,139	693,098
-	-	-	58,148	481,733
-	-	576,023	2,025,637	2,526,632
-	-	1,301,948	1,786,450	4,996,573
-	-	226,666	2,898,894	2,854,929
-	-	-	-	7,497
-	-	354,137	1,354,137	1,354,137
<u>-</u>	<u>-</u>	<u>3,135,462</u>	<u>10,209,292</u>	<u>15,000,663</u>
-	-	1,354,137	4,575,048	2,372,899
-	-	30,186,822	34,783,568	51,959,784
-	-	-	7,439,075	-
-	-	4,181,043	4,496,828	6,308,542
-	-	(717,736)	4,694,155	(788,957)
<u>-</u>	<u>-</u>	<u>35,004,266</u>	<u>55,988,674</u>	<u>59,852,268</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,139,728</u>	<u>\$ 66,197,966</u>	<u>\$ 74,852,931</u>

The accompanying notes are an integral part of this statement.

This page intentionally left blank

City of Hemet
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Fund Balances of Governmental Funds	\$	55,988,674
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.		332,101,658
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,898,894
Long-term debt and compensated absences that have not been included in the governmental fund activity.		
Other Post Employment Benefits		(6,774,000)
Compensated Absences		(2,416,451)
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.		<u>7,519,091</u>
Net Assets of Governmental Activities	\$	<u><u>389,317,866</u></u>

The accompanying notes are an integral part of this statement.

City of Hemet
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	Special Revenue		
		Public Safety CFD	Housing Authority	Sewer and Storm Drain
REVENUES				
Taxes	\$ 18,076,088	\$ -	\$ -	\$ -
Licenses and Permits	1,536,373	-	-	-
Intergovernmental Revenues	4,914,189	-	-	-
Charges for Services	2,136,784	593,816	-	2,711,356
Fines and Forfeitures	510,680	-	-	-
Investment Income	161,485	-	5	33,378
Miscellaneous	431,141	-	-	1,158
Total Revenues	27,766,740	593,816	5	2,745,892
EXPENDITURES				
Current:				
General Government	1,314,914	-	-	-
Public Safety	21,634,378	684,832	-	-
Community Development	2,990,100	-	-	815
Public Works	-	-	-	-
Sanitation	-	-	-	1,784,917
Parks	646,523	-	-	-
Libraries	1,328,397	-	-	-
Capital Outlay	-	-	-	98,246
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
SERAF Obligation	-	-	-	-
Fiscal - Administrative Charges	-	-	-	-
Total Expenditures	27,914,312	684,832	-	1,883,978
Excess (Deficiency) of Revenues Over Expenditures	(147,572)	(91,016)	5	861,914
OTHER FINANCING SOURCES (USES)				
Transfers In	2,558,773	395,004	1,524,467	-
Transfers Out	(415,004)	-	(41,202)	(309,996)
Total Other Financing Sources (Uses)	2,143,769	395,004	1,483,265	(309,996)
Special Items	12,500,000	-	-	-
Extraordinary Items				
RDA Dissolution	-	-	-	-
Settlement Agreement	-	-	-	-
Total Special and Extraordinary Items	12,500,000	-	-	-
Net Change in Fund Balances	14,496,197	303,988	1,483,270	551,918
Fund Balances, Beginning	2,697,476	(1,615,728)	517	2,561,041
Prior Period Adjustments	505,729	-	-	-
Fund Balances, Ending	\$ 17,699,402	\$ (1,311,740)	\$ 1,483,787	\$ 3,112,959

The accompanying notes are an integral part of this statement.

<u>Capital Projects</u>	<u>Debt Service</u>		<u>Total Governmental Funds</u>	
<u>Redevelopment</u>	<u>Redevelopment</u>	<u>Governmental Funds</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ 2,072,765	\$ 2,353,335	\$ 22,502,188	\$ 23,361,829
-	-	-	1,536,373	2,175,102
-	-	6,198,520	11,112,709	14,709,871
-	-	4,482,086	9,924,042	11,812,132
-	-	-	510,680	600,126
(967)	-	377,921	571,822	492,747
-	-	35,332	467,631	159,121
<u>(967)</u>	<u>2,072,765</u>	<u>13,447,194</u>	<u>46,625,445</u>	<u>53,310,928</u>
502,134	-	166,004	1,983,052	1,601,256
-	-	2,291,115	24,610,325	24,807,333
-	-	1,626,066	4,616,981	7,196,176
-	-	5,500,699	5,500,699	5,651,051
-	-	-	1,784,917	1,957,335
-	-	-	646,523	762,855
-	-	112,298	1,440,695	1,419,595
29,399	-	3,772,503	3,900,148	6,409,761
-	405,000	-	405,000	390,000
-	342,103	-	342,103	697,193
-	-	-	-	911,068
-	3,250	-	3,250	3,346
<u>531,533</u>	<u>750,353</u>	<u>13,468,685</u>	<u>45,233,693</u>	<u>51,806,969</u>
<u>(532,500)</u>	<u>1,322,412</u>	<u>(21,491)</u>	<u>1,391,752</u>	<u>1,503,959</u>
694,309	1,058,715	464,810	6,696,078	5,038,077
<u>(3,267,488)</u>	<u>(708,893)</u>	<u>(4,234,099)</u>	<u>(8,976,682)</u>	<u>(4,009,781)</u>
<u>(2,573,179)</u>	<u>349,822</u>	<u>(3,769,289)</u>	<u>(2,280,604)</u>	<u>1,028,296</u>
-	-	-	12,500,000	-
(8,587)	(8,711,229)	(6,073,996)	(14,793,812)	-
-	-	(1,186,659)	(1,186,659)	-
<u>(8,587)</u>	<u>(8,711,229)</u>	<u>(7,260,655)</u>	<u>(3,480,471)</u>	<u>-</u>
(3,114,266)	(7,038,995)	(11,051,435)	(4,369,323)	2,532,255
3,114,266	7,038,995	46,055,701	59,852,268	59,387,051
-	-	-	505,729	(2,067,038)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,004,266</u>	<u>\$ 55,988,674</u>	<u>\$ 59,852,268</u>

The accompanying notes are an integral part of this statement.

This page intentionally left blank

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	(4,369,323)
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.		(4,457,487)
The net effect of various miscellaneous transactions involving capital assets (i.e., retirement) is to decrease net assets.		50,746
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		43,964
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.		405,000
Accrued interest for debt service. This is the net change in accrued interest for the current period.		(18,035)
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.		(1,327,445)
Governmental funds do not report certain long-term assets and long-term liabilities that are reflected in the Statement of Net Assets. This amount represents the difference in the extraordinary loss in the governmental funds and the extraordinary loss in the Statement of Activities, due to the dissolution of the Redevelopment Agency.		13,935,140
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>2,927,727</u>
Change in Net Assets of Governmental Activities	\$	<u><u>7,190,287</u></u>

The accompanying notes are an integral part of this statement.

City of Hemet
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds			
	Refuse	Water	Totals	
			2012	2011
ASSETS				
Current Assets:				
Cash and Investments	\$ 5,237,008	\$ 9,339,742	\$ 14,576,750	\$ 5,727,451
Receivables:				
Accounts	27,353	1,547,730	1,575,083	2,794,035
Due from Other Funds	-	-	-	4,996,573
Due from Fiduciary Funds	-	-	-	-
Prepaid Assets	-	5,399	5,399	5,399
Due from Other Governmental Agencies	-	123,125	123,125	152,475
Inventories	-	-	-	-
Total Current Assets	<u>5,264,361</u>	<u>11,015,996</u>	<u>16,280,357</u>	<u>13,675,933</u>
Noncurrent Assets:				
Capital Assets	85,344	31,145,349	31,230,693	40,085,294
Less: Accumulated Depreciation	<u>(50,297)</u>	<u>(27,200,800)</u>	<u>(27,251,097)</u>	<u>(33,958,396)</u>
Total Noncurrent Assets	<u>35,047</u>	<u>3,944,549</u>	<u>3,979,596</u>	<u>6,126,898</u>
Total Assets	<u>5,299,408</u>	<u>14,960,545</u>	<u>20,259,953</u>	<u>19,802,831</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	30,131	190,770	220,901	364,960
Accrued Salaries and Benefits	2,866	20,575	23,441	91,613
Accrued Liabilities	-	5,399	5,399	5,399
Interest Payable	-	186,181	186,181	216,060
Deposits	-	1,518,767	1,518,767	1,723,465
Due to Other Funds	-	-	-	-
Compensated Absences Payable	32,179	114,011	146,190	264,816
Claims and Judgments Payable	-	-	-	-
Capital Leases	-	147,499	147,499	487,110
Bonds Payable	-	-	-	-
Total Current Liabilities	<u>65,176</u>	<u>2,183,202</u>	<u>2,248,378</u>	<u>3,153,423</u>
Noncurrent Liabilities:				
Compensated Absences Payable	1,853	6,569	8,422	24,624
Capital Leases	-	138,152	138,152	1,015,542
Total Noncurrent Liabilities	<u>1,853</u>	<u>144,721</u>	<u>146,574</u>	<u>1,040,166</u>
Total Liabilities	<u>67,029</u>	<u>2,327,923</u>	<u>2,394,952</u>	<u>4,193,589</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	35,047	3,658,898	3,693,945	4,624,246
Unrestricted	<u>5,197,332</u>	<u>8,973,724</u>	<u>14,171,056</u>	<u>10,984,996</u>
Total Net Assets	<u>\$ 5,232,379</u>	<u>\$ 12,632,622</u>	<u>\$ 17,865,001</u>	<u>\$ 15,609,242</u>

The accompanying notes are an integral part of this statement.

**Governmental
Activities -
Internal Service**

2012	2011
\$ 5,926,400	\$ 6,798,139
1,601,380	5,514
812,687	-
347,736	-
-	-
-	-
171,293	81,026
<u>8,859,496</u>	<u>6,884,679</u>
4,136,108	3,594,268
<u>(3,714,328)</u>	<u>(3,452,365)</u>
421,780	141,903
<u>9,281,276</u>	<u>7,026,582</u>
408,682	453,684
17,449	94,522
-	-
-	-
-	-
812,687	-
-	-
523,367	1,887,012
-	-
-	-
<u>1,762,185</u>	<u>2,435,218</u>
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>1,762,185</u>	<u>2,435,218</u>
421,780	141,903
<u>7,097,311</u>	<u>4,449,461</u>
<u>\$ 7,519,091</u>	<u>\$ 4,591,364</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, 2012

	Business-Type Activities - Enterprise Funds			
	Refuse	Water	Totals	
			2012	2011
OPERATING REVENUES				
Charges for Sales and Services	\$ 4,159,877	\$ 7,767,924	\$ 11,927,801	\$ 17,381,329
Total Operating Revenue	<u>4,159,877</u>	<u>7,767,924</u>	<u>11,927,801</u>	<u>17,381,329</u>
OPERATING EXPENSES				
Personal Services	1,433,881	2,029,646	3,463,527	4,808,504
Parts and Supplies	197,305	194,891	392,196	569,444
Maintenance	429,998	3,077,748	3,507,746	1,707,933
Utilities	8,464	462,434	470,898	471,600
Water Purchases	-	95,793	95,793	49,334
Contracts, Rents and Leases	871,131	19,613	890,744	2,257,741
Insurance	117,800	76,600	194,400	177,311
Claims and Judgments	-	-	-	-
General Office	12,096	461,984	474,080	618,184
Enterprise Assessments	1,777,934	1,271,700	3,049,634	5,185,426
Depreciation	182,828	1,175,754	1,358,582	1,734,027
Total Operating Expenses	<u>5,031,437</u>	<u>8,866,163</u>	<u>13,897,600</u>	<u>17,579,504</u>
Operating Income (Loss)	<u>(871,560)</u>	<u>(1,098,239)</u>	<u>(1,969,799)</u>	<u>(198,175)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on Sale of Capital Assets	1,830,042	-	1,830,042	-
Investment Income	35,973	147,047	183,020	55,511
Interest Expense	(27,591)	(14,619)	(42,210)	(67,960)
Miscellaneous	67,481	2,110	69,591	90,514
Total Nonoperating Revenues (Expenses)	<u>1,905,905</u>	<u>134,538</u>	<u>2,040,443</u>	<u>78,065</u>
Income (Loss) Before Transfers and Capital Contributions	1,034,345	(963,701)	70,644	(120,110)
Capital Contributions	-	-	-	-
Transfers In	2,280,604	-	2,280,604	-
Transfers Out	(95,489)	-	(95,489)	-
Change in Net Assets	3,219,460	(963,701)	2,255,759	(120,110)
Total Net Assets, Beginning	2,012,919	13,596,323	15,609,242	15,573,230
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,122</u>
Total Net Assets, Ending	<u>\$ 5,232,379</u>	<u>\$ 12,632,622</u>	<u>\$ 17,865,001</u>	<u>\$ 15,609,242</u>

The accompanying notes are an integral part of this statement.

**Governmental
Activities -
Internal Service**

2012	2011
\$ 14,629,400	\$ 13,536,968
<u>14,629,400</u>	<u>13,536,968</u>
4,712,250	4,462,557
304,437	107,434
1,316,675	1,398,140
558,939	658,909
-	-
293,528	296,411
1,504,277	1,282,993
3,930,701	4,175,819
1,165	6,288
-	-
<u>66,449</u>	<u>65,289</u>
<u>12,688,421</u>	<u>12,453,840</u>
<u>1,940,979</u>	<u>1,083,128</u>
-	-
-	-
<u>323,057</u>	<u>(1,384)</u>
<u>323,057</u>	<u>(1,384)</u>
2,264,036	1,081,744
568,202	-
95,489	-
-	<u>(1,028,296)</u>
2,927,727	53,448
4,591,364	4,537,916
-	-
<u>\$ 7,519,091</u>	<u>\$ 4,591,364</u>

The accompanying notes are an integral part of this statement.

City of Hemet
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			
	Refuse	Water	Totals	
			2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 5,401,078	\$ 7,639,918	\$ 13,040,996	\$ 17,309,874
Payments to Suppliers for Goods and Services	(1,833,535)	(4,336,381)	(6,169,916)	(7,382,474)
Payments for Interfund Services Used	(1,777,934)	(1,271,700)	(3,049,634)	(3,808,140)
Payments to Employees for Services	(1,628,465)	(2,038,062)	(3,666,527)	(4,802,522)
Net Cash Provided (Used) by Operating Activities	<u>161,144</u>	<u>(6,225)</u>	<u>154,919</u>	<u>1,316,738</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received From Other Funds	3,038,870	4,238,307	7,277,177	-
Cash Paid to Other Funds	-	-	-	(4,996,573)
Cash Paid to Fiduciary Funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,038,870</u>	<u>4,238,307</u>	<u>7,277,177</u>	<u>(4,996,573)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	-	(149,240)	(149,240)	(452,059)
Capital Contributions	-	-	-	-
Proceeds from Sale of Capital Assets	2,672,513	-	2,672,513	-
Principal Paid on Capital Debt	(1,074,906)	(142,095)	(1,217,001)	(469,264)
Interest Paid on Capital Debt	(27,591)	(44,498)	(72,089)	(57,377)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,570,016</u>	<u>(335,833)</u>	<u>1,234,183</u>	<u>(978,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received	<u>35,973</u>	<u>147,047</u>	<u>183,020</u>	<u>55,511</u>
Net Cash Provided (Used) by Investing Activities	<u>35,973</u>	<u>147,047</u>	<u>183,020</u>	<u>55,511</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,806,003	4,043,296	8,849,299	(4,603,024)
Cash and Cash Equivalents - Beginning of the Year	<u>431,005</u>	<u>5,296,446</u>	<u>5,727,451</u>	<u>10,330,475</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 5,237,008</u>	<u>\$ 9,339,742</u>	<u>\$ 14,576,750</u>	<u>\$ 5,727,451</u>

The accompanying notes are an integral part of this statement.

**Governmental
Activities -
Internal Service**

	2012	2011
	\$ 13,356,591	\$ 13,533,463
	(9,408,636)	(7,153,669)
	-	-
	(4,789,323)	(4,444,526)
	(841,368)	1,935,268
	-	-
	-	(1,028,296)
	(347,736)	-
	(347,736)	(1,028,296)
	(250,837)	-
	568,202	-
	-	-
	-	-
	-	-
	317,365	-
	-	-
	-	-
	(871,739)	906,972
	6,798,139	5,891,167
	\$ 5,926,400	\$ 6,798,139

Continued

City of Hemet
Statement of Cash Flows
Proprietary Funds - Continued
Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Refuse	Water	Totals	
			2012	2011
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (871,560)	\$ (1,098,239)	\$ (1,969,799)	\$ (198,175)
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation	182,828	1,175,754	1,358,582	1,734,027
Miscellaneous Nonoperating Revenues (Expenses)	67,481	2,110	69,591	90,514
(Increase) Decrease in Accounts Receivable	1,173,720	45,232	1,218,952	(264,603)
(Increase) Decrease in Inventories	-	-	-	-
(Increase) Decrease in Due from Other Governments	-	29,350	29,350	24,613
Increase (Decrease) in Accounts Payable	(196,741)	52,682	(144,059)	(153,641)
Increase (Decrease) in Accrued Payroll	(48,783)	(19,389)	(68,172)	(10,220)
Increase (Decrease) in Claims and Judgments Payable	-	-	-	-
Increase (Decrease) in Deposits Payable	-	(204,698)	(204,698)	78,021
Increase (Decrease) in Compensated Absences Payable	(145,801)	10,973	(134,828)	16,202
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 161,144	\$ (6,225)	\$ 154,919	\$ 1,316,738

The accompanying notes are an integral part of this statement.

**Governmental
Activities -
Internal Service**

	2012	2011
\$	1,940,979	\$ 1,083,128
	66,449	65,289
	323,057	-
	(1,595,866)	(4,673)
	(90,267)	20,809
	-	1,168
	(45,002)	(95,205)
	(77,073)	18,031
	(1,363,645)	846,721
	-	-
	-	-
	<u>\$ (841,368)</u>	<u>\$ 1,935,268</u>

City of Hemet
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and Investments	\$ 447,142	\$ 13,549,865
Receivables:		
Accounts	4,750	-
Notes	-	168,309
Restricted Assets:		
Cash and Investments with Fiscal Agents	3,506,926	4,120,848
Total Assets	3,958,818	17,839,022
LIABILITIES		
Accounts Payable	\$ 415,884	2,910,324
Accrued Liabilities	-	9,618
Deposits Payable	3,542,934	-
Interest Payable	-	194,554
Bonds Payable	-	13,685,000
Total Liabilities	\$ 3,958,818	16,799,496
NET ASSETS		
Net Assets (Deficit) Held in Trust for Successor Agency		\$ 1,039,526

The accompanying notes are an integral part of this statement.

City of Hemet
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	<u>Successor Agency Private-purpose Trust Fund</u>
ADDITIONS	
Taxes	\$ 1,214,886
Interest Income	<u>5,999</u>
Total Additions	<u>1,220,885</u>
DEDUCTIONS	
Administrative Costs	762,096
Interest on Bonds	<u>277,935</u>
Total Deductions	<u>1,040,031</u>
Change in Net Assets before Extraordinary Items	180,854
Extraordinary Gain	<u>858,672</u>
Change in Net Assets	1,039,526
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>\$ 1,039,526</u></u>

The accompanying notes are an integral part of this statement.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

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.

As described in Note 8 to the financial statements, the Hemet Redevelopment Agency was dissolved as of January 31, 2012 in accordance with AB X 1 26.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

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 transitions. 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) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has elected not to early implement GASB No. 63 and has not determined its effect on the City's financial statements.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The City has elected not to early implement GASB No. 65 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

D) 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.

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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

Housing Authority

This fund accounts for the financial transactions of the Hemet Housing Authority as established by the City Council.

Sewer and Storm Drain

This fund accounts for the financial transactions of a City-wide program to maintain storm drains and sewer transmission lines. Revenues are intended to cover the maintenance costs for these lines, not all of the costs associated with the replacement, and depreciation of these lines.

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.

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.

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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The City also reports the following fund types:

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-purpose Trust Fund

This fund is used to account for the balances and transactions of the Successor Agency to the Hemet Redevelopment Agency.

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.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E) 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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Cash and Investments - Continued

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.

F) 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.

G) 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.

H) 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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Inventory and Prepaid Items - Continued

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.

I) 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.

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

J) 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.

K) 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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L) 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.

M) 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.

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.

N) 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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N) Fund Balances - Continued

The City's committed fund balance includes:

- **General Fund Emergency Operating Contingency:**
Fund balance in the General Fund has been committed for emergency/fiscal emergency contingencies, as set by ordinance. Emergencies shall mean the actual or threatened conditions of disaster or of extreme peril to the safety of persons and property within the City caused by such conditions as air pollution, fire, flood, storm, epidemic, riot or earthquake, or other conditions, including conditions resulting from a labor controversy, which conditions are likely to be beyond the control of the services, personnel, equipment and facilities of the City, requiring combined forces of other political subdivisions to combat. A fiscal emergency is defined by the City of Hemet Municipal Code Section 2-451. The amount of the commitment as set forth by the City of Hemet Municipal Code Section 2-452 is equal to at least 10% of General Fund budgeted expenditures.

Use of these funds is allowable only when the following have been met: (a) the City Council has declared the existence of either an emergency or fiscal emergency; and (b) the use of the committed fund balance has been approved by four-fifths vote of the membership of the City Council.

- **Economic Stabilization Reserve:**
Fund balance in the General Fund has also been committed by ordinance for an economic stabilization reserve equal to at least 15% of General Fund budgeted expenditures. The specified purpose of the reserve is stabilizing the delivery of city services during periods of operating deficits resulting from deferral of federal, state, or county remittance and which may also be used as a short-term bridge from unexpected and drastic downturns in the economy.

Use of these funds is allowable only when the following have been met: (a) conditions as described above arise; and (b) when the City Council, upon four-fifths vote of its membership has approved the use of the funds.

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.

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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) 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 st Installment	February 1, 2 nd Installment
Collection Date	December 1, 1 st Installment	April 10, 2 nd 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".

P) 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.

Q) 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.

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

R) 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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

2) CASH AND INVESTMENTS

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

Statement of Net Assets:	
Cash and Investments	\$ 67,322,882
Fiduciary Funds:	
Cash and Investments	13,997,007
Cash and investments with Fiscal Agent	<u>7,627,774</u>
 Total Cash and Investments	 <u>\$ 88,947,663</u>

Cash and Investments consist of the following:

Cash on Hand	\$ 10,050
Deposits with Financial Institutions	5,211,867
Investments	<u>83,725,746</u>
 Total Cash and Investments	 <u>\$ 88,947,663</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.

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

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

2) CASH AND INVESTMENTS - Continued

Investments Authorized by Debt Agreements - Continued

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

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	\$ 9,539,650	\$ -	\$ -	\$ 9,539,650	\$ -
State Investment Pool (LAIF)	40,037,554	40,037,554	-	-	-
Local Government Obligations	3,304,728	-	-	3,304,728	-
Negotiable Certificate of Deposits	4,715,140	-	892,000	3,823,140	-
Money Market Funds	21,537,500	21,537,500	-	-	-
Held by Fiscal Agent:					
Money Market Funds	4,591,174	4,591,174	-	-	-
Total	\$ 83,725,746	\$ 66,166,228	\$ 892,000	\$ 16,667,518	\$ -

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the 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.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End				
			AAA	AA	A	Not Rated	SP-1
Federal Agency Securities	\$ 9,539,650	N/A	\$ -	\$ 9,539,650	\$ -	\$ -	\$ -
State Investment Pool - LAIF	40,037,554	N/A	-	-	-	40,037,554	-
Local Government Obligations	3,304,728	N/A	-	1,039,170	141,918	-	2,123,640
Negotiable Certificate of Deposits	4,715,140	N/A	-	-	-	4,715,140	-
Money Market Funds	21,537,500	AAA	21,537,500	-	-	-	-
Held by Fiscal Agent: Money Market Funds	4,591,174	AAA	4,591,174	-	-	-	-
Total	\$ 83,725,746		\$ 26,128,674	\$ 10,578,820	\$ 141,918	\$ 44,752,694	\$ 2,123,640

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. At June 30, 2012, the City deposits (bank balances were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

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, 2012

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, 2012:

A) Due To / From Other Funds

		DUE FROM		
		Public Safety CFD	Other Governmental Funds	Total
	DUE TO Other Governmental Funds	\$ 484,502	\$ 1,301,948	\$ 1,786,450
	Total	\$ 484,502	\$ 1,301,948	\$ 1,786,450

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, 2012

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

C) Interfund Transfers

		TRANSFERS OUT			
		General Fund	Housing Authority	Sewer and Storm Drains	Redevelopment Capital Projects
TRANSFERS IN	General Fund	\$ -	\$ -	\$ -	\$ 2,208,773
	Public Safety CFD	395,004	-	-	-
	Redevelopment Debt Service	-	-	-	1,058,715
	Redevelopment Capital Projects	-	-	-	-
	Housing Authority	-	-	-	-
	Other Governmental Funds	20,000	41,202	309,996	-
	Refuse Fund	-	-	-	-
	Internal Service Funds	-	-	-	-
Total		<u>\$ 415,004</u>	<u>\$ 41,202</u>	<u>\$ 309,996</u>	<u>\$ 3,267,488</u>

		TRANSFERS OUT			Total
		Redevelopment Debt Service	Other Governmental Funds	Refuse	
TRANSFERS IN	General Fund	\$ -	\$ 350,000	\$ -	\$ 2,558,773
	Public Safety CFD	-	-	-	395,004
	Redevelopment Debt Service	-	-	-	1,058,715
	Redevelopment Capital Projects	673,890	20,419	-	694,309
	Housing Authority	-	1,524,467	-	1,524,467
	Other Governmental Funds	35,003	58,609	-	464,810
	Refuse Fund	-	2,280,604	-	2,280,604
	Internal Service Funds	-	-	95,489	95,489
Total		<u>\$ 708,893</u>	<u>\$ 4,234,099</u>	<u>\$ 95,489</u>	<u>\$ 9,072,171</u>

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

C) Interfund Transfers - Continued

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.

The transfer from the Housing Authority to the Other Governmental Funds is to reimburse for over payments received.

The Sewer and Storm Drain Fund transferred \$309,996 to Other Governmental Funds for capital projects.

The Redevelopment Capital Projects Fund transferred \$2,208,773 of land held for resale to the General Fund. In addition, the Redevelopment Capital Projects Fund transferred \$1,058,715 to the Redevelopment Debt Service Fund to cover operating deficits.

The Redevelopment Debt Service Fund transferred \$673,890 to the Redevelopment Capital Projects Fund to pay for capital improvements.

The Other Governmental Funds, Hemet RDA Low/Mod Fund transferred \$350,000 to the General fund to pay for code enforcement costs. In addition, the Hemet RDA Low/Mod Fund transferred \$1,524,467 to the Housing Authority due to the dissolution of the Redevelopment Agency.

The Other Governmental Funds, Equipment Replacement Fund transferred \$2,280,604 to the Refuse Fund for prior contributions for equipment replacement, however, due to the outsourcing of refuse services and sale of refuse equipment, this amount was returned to the Refuse Fund.

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, 2012 the outstanding balance of notes receivable totaled \$11,033,028. The balance on the loans that will be forgiven by the City, assuming all requirements are met was \$5,029,889, 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, 2012

5) CHANGES IN CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 11,839,690	\$ -	\$ -	\$ 11,839,690
Rights of Way	188,002,321	1,670,953	-	189,673,274
CIP - Infrastructure	2,066,219	842,247	(2,451,567)	456,899
	<u>201,908,230</u>	<u>2,513,200</u> *	<u>(2,451,567)</u>	<u>201,969,863</u>
Total Capital Assets, Not Being Depreciated				
Capital Assets Being Depreciated:				
Buildings and Improvements	25,997,424	-	-	25,997,424
Buildings and Improvements - ISF	23,000	52,899	-	75,899
Machinery and Equipment	30,125,776	580,863	-	30,706,639
Machinery and Equipment - ISF	3,571,268	488,941	-	4,060,209
Infrastructure				
Pavement	151,026,538	3,499,078	(2,873,074)	151,652,542
Medians	163,384	-	-	163,384
Sidewalks	16,052,529	730,756	(64,251)	16,719,034
Curb and Gutter	15,831,734	497,452	(39,775)	16,289,411
Traffic Signal	5,560,612	445,422	-	6,006,034
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	11,189,247	165,980	-	11,355,227
	<u>268,235,522</u>	<u>6,461,391</u>	<u>(2,977,100)</u>	<u>271,719,813</u>
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation:				
Buildings and Improvements	(9,176,515)	(632,629)	-	(9,809,144)
Buildings and Improvements - ISF	(23,000)	(42,422)	-	(65,422)
Machinery and Equipment	(26,096,980)	(1,412,212)	-	(27,509,192)
Machinery and Equipment - ISF	(3,427,980)	(220,926)	-	(3,648,906)
Infrastructure				
Pavement	(84,208,092)	(5,055,085)	2,899,382	(86,363,795)
Medians	(29,953)	(5,446)	-	(35,399)
Sidewalks	(3,172,852)	(222,920)	30,999	(3,364,773)
Curb and Gutter	(2,812,371)	(217,192)	18,637	(3,010,926)
Traffic Signal	(3,039,063)	(240,241)	52,078	(3,227,226)
Street Lights	(1,594,477)	(192,942)	26,750	(1,760,669)
Bridges	(725,235)	(57,684)	-	(782,919)
Street Trees	-	-	-	-
Storm Drain/Retention Basins	(1,424,520)	(163,347)	-	(1,587,867)
	<u>(135,731,038)</u>	<u>(8,463,046)</u>	<u>3,027,846</u>	<u>(141,166,238)</u>
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net				
	<u>132,504,484</u>	<u>(2,001,655)</u>	<u>50,746</u>	<u>130,553,575</u>
Governmental Activities - Capital Assets, Net				
	<u>\$ 334,412,714</u>	<u>\$ 511,545</u>	<u>\$ (2,400,821)</u>	<u>\$ 332,523,438</u>

*Includes additions of \$2,237,589 that should have been recorded in the prior year. This is a prior period adjustment in the governmental activities column of the Statement of Activities.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

5) CHANGES IN CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 32,975	\$ -	\$ -	\$ 32,975
Total Capital Assets, Not Being Depreciated	32,975	-	-	32,975
Capital Assets Being Depreciated:				
Buildings and Improvements	27,761,654	-	(73,245)	27,688,409
Machinery and Equipment	12,290,665	149,240	(8,930,596)	3,509,309
Total Capital Assets Being Depreciated	40,052,319	149,240	(9,003,841)	31,197,718
Less Accumulated Depreciation:				
Buildings and Improvements	(23,299,716)	(901,374)	-	(24,201,090)
Machinery and Equipment	(10,658,680)	(457,208)	8,065,881	(3,050,007)
Total Accumulated Depreciation	(33,958,396)	(1,358,582)	8,065,881	(27,251,097)
Total Capital Assets Being Depreciated, Net	6,093,923	(1,209,342)	(937,960)	3,946,621
Business-type Activities				
Capital Assets, Net	\$ 6,126,898	\$ (1,209,342)	\$ (937,960)	\$ 3,979,596

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

Governmental Activities:	
General Government	\$ 362,517
Public Safety	1,123,817
Public Works	6,282,896
Libraries	430,468
Internal Service	66,449
	66,449
Total Depreciation Expense – Governmental Activities	\$ 8,266,147
Business-type Activities:	
Refuse	\$ 182,828
Water	1,175,754
	1,175,754
Total Depreciation Expense – Business-type Activities	\$ 1,358,582

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

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, 2012 is as follows:

Governmental Activities	Total
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.	\$ 2,416,451
Business-type Activities	
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.	154,612
	\$ 2,571,063

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, 2012 is \$285,651.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

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	
	Principal	Interest
2013	\$ 147,499	\$ 9,215
2014	138,152	3,605
Total	\$ 285,651	\$ 12,820

D) Summary of Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Payments	Deletions	Ending Balance	Due Within One Year	Remaining Years
Governmental Activities:							
Compensated Absences	\$ 2,485,006	\$ 2,307,595	\$ 2,376,150	\$ -	\$ 2,416,451	\$ 2,307,595	\$ 108,856
Bonds Payable:							
1999 Subordinate Tax							
Allocation Bonds	7,475,000	-	275,000	(7,200,000)	-	-	-
2002A Tax Allocation Bonds	6,615,000	-	130,000	(6,485,000)	-	-	-
Claims Payable	1,887,012	1,053,962	2,417,607	-	523,367	523,367	-
OPEB	5,378,000	4,235,000	2,839,000	-	6,774,000	-	6,774,000
 Total Governmental Activity							
Long-term Liabilities	\$ 23,840,018	\$ 7,596,557	\$ 8,037,757	\$(13,685,000)	\$ 9,713,818	\$ 2,830,962	\$ 6,882,856
 Business-type Activities							
Compensated Absences	\$ 289,440	\$ 146,190	\$ 281,018	\$ -	\$ 154,612	\$ 146,190	\$ 8,422
Capital Leases	1,502,652	-	1,217,001	-	285,651	147,499	138,152
 Total Business-type Activity							
Long-term Liabilities	\$ 1,792,092	\$ 146,190	\$ 1,498,019	\$ -	\$ 440,263	\$ 293,689	\$ 146,574

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

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, 2012 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, 2012 is \$12,025,000.

F) Fiduciary Fund Long-term Debt

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, 2012 is \$7,200,000.

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, 2012 is \$6,485,000.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

6) LONG-TERM LIABILITIES - Continued

F) Fiduciary Fund Long-term Debt - Continued

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
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	\$ 7,200,000	\$ 3,307,991	\$ 6,485,000	\$ 4,569,304

The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2012.

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year	Remaining Years
Bonds Payable:						
1999 Subordinate Tax Allocation Bonds	\$ -	\$ 7,200,000	\$ -	\$ 7,200,000	\$ 285,000	\$ 6,915,000
2002A Tax Allocation Bonds	-	6,485,000	-	6,485,000	135,000	6,350,000
Total	\$ -	\$ 13,685,000	\$ -	\$ 13,685,000	\$ 420,000	\$ 13,265,000

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

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

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 financials statements.

Insurance Type	Beginning Balance	Claims Incurred	Claim Payments	Ending Balance	Current Portion
2010 - 2011 Total	\$ 1,040,291	\$ 2,640,734	\$ (1,794,013)	\$ 1,887,012	\$ 1,887,012
2011 - 2012					
Dental - Vision	\$ 75,360	\$ 480,149	\$ (512,253)	\$ 43,256	\$ 43,256
Workers' Comp	42,622	25,068	(18,071)	49,619	49,619
Liability	1,769,030	548,745	(1,887,283)	430,492	430,492
2011 - 2012 Total	\$ 1,887,012	\$ 1,053,962	\$ (2,417,607)	\$ 523,367	\$ 523,367

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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

7) CLAIMS AND JUDGMENTS - Continued

B) Contingencies

As of June 30, 2012 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.

The City has received Federal and State funds for specific purposes that are subject to review by the grantor agencies. These programs are subject to audit by the grantor agencies and upon further examination by the grantors, certain costs could be disallowed. The City expects any such amounts to be immaterial.

C) Commitments

Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$32,000.

8) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Hemet that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 4474.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill 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 the Bill.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

8) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY - Continued

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final several months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund.	\$ 14,793,812
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	(250,140)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	<u>(13,685,000)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City - see Extraordinary Items Note 12).	<u>\$ 858,672</u>

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

9) FUND BALANCES/NET ASSETS

Deficit Fund Balances/Net Assets

As of June 30, 2012 the following non-major funds reported deficits in their respective fund balances or net assets:

	Fund Balances
Special Revenue:	
Lighting and Landscaping Maintenance	\$ 324,633
ISTEA	25,240
Public Safety Grants	319,458
Local Law Enforcement Block Grant	3,483
General Plan	42,523
Community Development Block Grant	2,399
Totals	\$ 717,736

Fund Balances

The details of the fund balances as of June 30, 2012 are presented below:

	General Fund	Public Safety CFD	Housing Authority	Sewer and Storm Drains	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 300
Prepays	11,838	-	-	-	-	11,838
Advances	1,000,000	-	-	-	354,137	1,354,137
Library Endowment	-	-	-	-	1,000,000	1,000,000
Land Held for Resale	2,208,773	-	-	-	-	2,208,773
Restricted for:						
Low/Mod Housing	-	-	1,483,787	-	-	1,483,787
Public Safety	-	-	-	-	381,851	381,851
Street Work	-	-	-	-	7,622,956	7,622,956
Lighting and Landscaping	-	-	-	-	2,477,078	2,477,078
Housing Grants	-	-	-	-	4,779,458	4,779,458
Sewer Maintenance	-	-	-	3,112,959	-	3,112,959
Development Impact Fees	-	-	-	-	14,874,863	14,874,863
Library Equipment	-	-	-	-	50,616	50,616
Committed to:						
Operating Contingency	2,975,630	-	-	-	-	2,975,630
Economic Stabilization Reserve	4,463,445	-	-	-	-	4,463,445
Assigned to:						
Equipment Replacement	-	-	-	-	4,181,043	4,181,043
Continuing Appropriations	315,785	-	-	-	-	315,785
Unassigned:	6,723,631	(1,311,740)	-	-	(717,736)	4,694,155
Total Fund Balance	\$ 17,699,402	\$ (1,311,740)	\$ 1,483,787	\$ 3,112,959	\$ 35,004,266	\$ 55,988,674

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

9) FUND BALANCES/NET ASSETS - Continued

Prior Period Adjustments

The prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund of \$505,729 is from the reclassification of deposits to fund balance.

The prior period adjustment in the Statement of Activities of \$2,743,318 is a combination of the adjustment to capital assets as shown in Note 5 of \$2,237,589 and the \$505,729 adjustment noted above.

10) 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 2011/12 was 20.019% for miscellaneous employees, and 35.879% 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, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 35.879% of payroll for the safety plan and 20.019% of payroll for the miscellaneous plan.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

10) EMPLOYEE BENEFITS - Continued

A) City Employees Retirement Plan - Continued

Annual Pension Cost - Continued

In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, 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.

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, 2009	June 30, 2009
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	20 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	3.55% to 14.45% depending on Age, Service, and type of employment	3.55% 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>
6/30/10	\$ 2,475,425	100%	\$ 0
6/30/11	\$ 2,371,278	100%	\$ 0
6/30/12	\$ 5,276,227	100%	\$ 0

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

10) EMPLOYEE BENEFITS - Continued

A) City Employees Retirement Plan - Continued

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the miscellaneous and safety plans were 80.7% and 74.5% funded, respectively. The combined actuarial accrued liability for benefits was \$208.3 million, and the actuarial value of assets was \$160.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$47.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.0 million, and the ratio of the UAAL to the covered payroll was 238%.

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 rates of employee turnover, retirement, mortality, as well as economic assumptions regarding interest rates. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

10) EMPLOYEE BENEFITS - Continued

B) Post-Employment Benefit Plan - Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

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	\$ 4,409,000
Interest on Net Pension Obligation (Asset)	216,000
Adjustment to Annual Required Contribution	<u>(390,000)</u>
Annual OPEB Cost	4,235,000
Contributions Made	<u>(2,839,000)</u>
Increase (Decrease) in Net Pension Obligation (Asset)	1,396,000
Net OPEB Obligation (Asset) Beginning of Year	<u>5,378,000</u>
Net OPEB Obligation (Asset) End of Year	<u>\$ 6,774,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

<u>THREE-YEAR TREND INFORMATION FOR CRHP</u>			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 3,979,000	54.5%	\$ 3,557,000
6/30/11	\$ 4,183,000	56.5%	\$ 5,378,000
6/30/12	\$ 4,235,000	67.0%	\$ 6,774,000

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability (AAL)	\$ 70,638
Actuarial Value of Plan Assets	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 70,638
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 18,227
UAAL as a Percentage of Covered Payroll	388%

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.

City of Hemet
Notes to Financial Statements
Year Ended June 30, 2012

10) EMPLOYEE BENEFITS - Continued

B) Post-Employment Benefit Plan - Continued

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.

The actual cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.25% 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% initially in 2012 decreasing to 5% after 9 years, and a dental and vision cost trend rate of 3% per year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years on a closed basis.

11) REFUSE SERVICES

In October 2011 the City Council approved an exclusive franchise agreement with a contractor to provide refuse services to the City. On December 1, 2011, the City stopped providing refuse services.

12) SPECIAL AND EXTRAORDINARY ITEMS

In the 2011-12 fiscal year, as part of the exclusive franchise agreement with a contractor for refuse services, the contractor is to pay the City a \$25,000,000 franchise payment over a 20 year period, with half of that amount (\$12,500,000) being paid in the 2011-12 fiscal year. The special item in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances of \$12,500,000 is a result of the upfront franchise payment.

The extraordinary loss in the Statement of Activities is a result of the following:

RDA Dissolution (see Note 8)	\$	(858,672)
Flood Control Settlement Agreement		(1,186,659)
 Total Extraordinary Items - Statement of Activities	 \$	 <u><u>(2,045,331)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Hemet
Schedule of Funding Progress
Year Ended June 30, 2012

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]
06/30/09	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%
06/30/11	71,874,937	89,080,919	17,205,982	80.7%	10,567,061	162.8%

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]
06/30/09	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%
06/30/11	88,776,534	119,236,919	30,460,385	74.5%	9,502,174	320.6%

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%
01/01/11	\$ -	\$ 70,638,000	\$ 70,638,000	0%	\$ 18,227,000	388%

City of Hemet
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 15,110,000	\$ 17,025,000	\$ 18,076,088	\$ 1,051,088
Licenses and Permits	1,631,700	1,631,700	1,536,373	(95,327)
Intergovernmental Revenue	5,053,500	5,063,318	4,914,189	(149,129)
Charges for Services	2,315,900	2,240,900	2,136,784	(104,116)
Fines and Forfeitures	513,200	513,200	510,680	(2,520)
Investment Income	104,000	104,000	161,485	57,485
Miscellaneous	67,900	150,400	431,141	280,741
	<u>24,796,200</u>	<u>26,728,518</u>	<u>27,766,740</u>	<u>1,038,222</u>
EXPENDITURES				
Current:				
General Government	1,223,300	1,656,440	1,314,914	341,526
Public Safety	22,163,100	22,108,325	21,634,378	473,947
Community Development	3,302,600	3,404,590	2,990,100	414,490
Parks	687,500	702,747	646,523	56,224
Libraries	1,227,600	1,252,918	1,328,397	(75,479)
Capital Outlay	-	-	-	-
	<u>28,604,100</u>	<u>29,125,020</u>	<u>27,914,312</u>	<u>1,210,708</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,807,900)</u>	<u>(2,396,502)</u>	<u>(147,572)</u>	<u>2,248,930</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	600,000	600,000	2,558,773	1,958,773
Transfers Out	-	(427,000)	(415,004)	11,996
	<u>600,000</u>	<u>173,000</u>	<u>2,143,769</u>	<u>1,970,769</u>
Special Items	-	12,500,000	12,500,000	-
Net Change in Fund Balances	(3,207,900)	10,276,498	14,496,197	4,219,699
Fund Balance, Beginning of Year	2,697,476	2,697,476	2,697,476	
Prior Period Adjustment	-	-	505,729	505,729
Fund Balance, End of Year	<u>\$ (510,424)</u>	<u>\$ 12,973,974</u>	<u>\$ 17,699,402</u>	<u>\$ 4,725,428</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 350,000	\$ 350,000	\$ 593,816	\$ 243,816
Investment Income	-	-	-	-
Total Revenues	<u>350,000</u>	<u>350,000</u>	<u>593,816</u>	<u>243,816</u>
EXPENDITURES				
Current:				
Public Safety	<u>660,300</u>	<u>684,576</u>	<u>684,832</u>	<u>(256)</u>
Total Expenditures	<u>660,300</u>	<u>684,576</u>	<u>684,832</u>	<u>(256)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(310,300)</u>	<u>(334,576)</u>	<u>(91,016)</u>	<u>243,560</u>
OTHER FINANCING SOURCES (USES)				
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	84,700	60,424	303,988	243,564
Fund Balance, Beginning of Year	<u>(1,615,728)</u>	<u>(1,615,728)</u>	<u>(1,615,728)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (1,531,028)</u></u>	<u><u>\$ (1,555,304)</u></u>	<u><u>\$ (1,311,740)</u></u>	<u><u>\$ 243,564</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	5	5
Investment Income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
EXPENDITURES				
Current:				
General Governmental	-	-	-	-
Community Development	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,524,467	1,524,467
Transfers Out	-	-	(41,202)	(41,202)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,483,265</u>	<u>1,483,265</u>
Net Change in Fund Balances	-	-	1,483,270	1,483,270
Fund Balance, Beginning of Year	<u>517</u>	<u>517</u>	<u>517</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ 1,483,787</u>	<u>\$ 1,483,270</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	2,696,900	2,696,900	2,711,356	14,456
Investment Income	8,000	8,000	33,378	25,378
Miscellaneous	-	-	1,158	1,158
	<u>-</u>	<u>-</u>	<u>1,158</u>	<u>1,158</u>
Total Revenues	<u>2,704,900</u>	<u>2,704,900</u>	<u>2,745,892</u>	<u>40,992</u>
EXPENDITURES				
Current:				
Community Development	-	-	815	(815)
Sanitation	2,167,800	2,331,391	1,784,917	546,474
Capital Outlay	-	83,491	98,246	14,755
	<u>-</u>	<u>83,491</u>	<u>98,246</u>	<u>14,755</u>
Total Expenditures	<u>2,167,800</u>	<u>2,414,882</u>	<u>1,883,978</u>	<u>530,904</u>
Excess (Deficiency) of Revenues over Expenditures	<u>537,100</u>	<u>290,018</u>	<u>861,914</u>	<u>571,896</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(310,000)	(309,996)	4
	<u>-</u>	<u>(310,000)</u>	<u>(309,996)</u>	<u>4</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(310,000)</u>	<u>(309,996)</u>	<u>4</u>
Net Change in Fund Balances	537,100	(19,982)	551,918	571,900
Fund Balance, Beginning of Year	<u>2,561,041</u>	<u>2,561,041</u>	<u>2,561,041</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,098,141</u>	<u>\$ 2,541,059</u>	<u>\$ 3,112,959</u>	<u>\$ 571,900</u>

City of Hemet
Notes to Required Supplementary Information
Year Ended June 30, 2012

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, 2012, the City increased its total budget for expenditures in the General Fund and major special revenue funds by \$520,920.

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, 2012:

Public Safety CFD Special Revenue Fund	\$ 256
--	--------

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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Investment Income	-	(967)	(967)
Total Revenues	-	(967)	(967)
EXPENDITURES			
Current:			
General Government	1,326,194	502,134	824,060
Capital Outlay	-	29,399	(29,399)
Total Expenditures	1,326,194	531,533	794,661
Excess (Deficiency) of Revenues over Expenditures	(1,326,194)	(532,500)	793,694
OTHER FINANCING SOURCES (USES)			
Transfers In	1,150,700	694,309	(456,391)
Transfers Out	-	(3,267,488)	(3,267,488)
Total Other Financing Sources (Uses)	1,150,700	(2,573,179)	(3,723,879)
Extraordinary Item	-	(8,587)	(8,587)
Net Change in Fund Balances	(175,494)	(3,114,266)	(2,938,772)
Fund Balance, Beginning of Year	3,114,266	3,114,266	-
Fund Balance, End of Year	<u>\$ 2,938,772</u>	<u>\$ -</u>	<u>\$ (2,938,772)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 3,947,000	\$ 2,072,765	\$ (1,874,235)
Investment Income	49,500	-	(49,500)
Total Revenues	<u>3,996,500</u>	<u>2,072,765</u>	<u>(1,923,735)</u>
EXPENDITURES			
Debt Service:			
Principal Retirement	608,400	405,000	203,400
Interest	858,400	342,103	516,297
Fiscal - Administrative Charges	4,200	3,250	950
Total Expenditures	<u>1,471,000</u>	<u>750,353</u>	<u>720,647</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,525,500</u>	<u>1,322,412</u>	<u>(1,203,088)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,058,715	1,058,715
Transfers Out	(1,184,000)	(708,893)	475,107
Total Other Financing Sources (Uses)	<u>(1,184,000)</u>	<u>349,822</u>	<u>1,533,822</u>
Extraordinary Item	-	(8,711,229)	(8,711,229)
Net Change in Fund Balances	1,341,500	(7,038,995)	(8,380,495)
Fund Balance, Beginning of Year	<u>7,038,995</u>	<u>7,038,995</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 8,380,495</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,380,495)</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.

Hemet RDA Low/Mod- This fund accounts for the financial transactions of the low and moderate income housing fund combined project areas.

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.

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.

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

City of Hemet
Non-Major Governmental Funds - Continued

CAPITAL PROJECTS FUNDS - Continued

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.

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.

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, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS				
Cash and Investments	\$ 8,671,162	\$ 20,094,343	\$ 1,057,427	\$ 29,822,932
Receivables:				
Accounts	229,096	-	-	229,096
Interest	202,593	-	1,944	204,537
Due from Other Governments	1,253,883	153,010	-	1,406,893
Due from Other Funds	1,786,450	-	-	1,786,450
Advances to Other Funds	-	354,137	-	354,137
Notes Receivable	7,564,323	-	-	7,564,323
Allowance for Forgivable Notes	(3,764,640)	-	-	(3,764,640)
Land Held for Resale	536,000	-	-	536,000
	<u>\$ 16,478,867</u>	<u>\$ 20,601,490</u>	<u>\$ 1,059,371</u>	<u>\$ 38,139,728</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 290,904	\$ 359,790	\$ -	\$ 650,694
Accrued Salaries and Benefits	24,077	1,917	-	25,994
Deposits	91,665	475,603	8,755	576,023
Due to Other Funds	1,301,948	-	-	1,301,948
Advances from Other Funds	-	354,137	-	354,137
Deferred Revenue	226,666	-	-	226,666
	<u>1,935,260</u>	<u>1,191,447</u>	<u>8,755</u>	<u>3,135,462</u>
Fund Balances:				
Nonspendable	-	354,137	1,000,000	1,354,137
Restricted	15,261,343	14,874,863	50,616	30,186,822
Assigned	-	4,181,043	-	4,181,043
Unassigned	(717,736)	-	-	(717,736)
	<u>14,543,607</u>	<u>19,410,043</u>	<u>1,050,616</u>	<u>35,004,266</u>
Total Liabilities and Fund Balances	<u>\$ 16,478,867</u>	<u>\$ 20,601,490</u>	<u>\$ 1,059,371</u>	<u>\$ 38,139,728</u>

City of Hemet
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds Funds	Total
REVENUES				
Taxes and Assessments	\$ 2,353,335	\$ -	\$ -	\$ 2,353,335
Intergovernmental	5,483,869	714,651	-	6,198,520
Charges for Services	3,491,436	990,650	-	4,482,086
Investment Income	96,038	268,564	13,319	377,921
Miscellaneous	34,344	988	-	35,332
	<u>11,459,022</u>	<u>1,974,853</u>	<u>13,319</u>	<u>13,447,194</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	166,004	-	-	166,004
Public Safety	2,291,115	-	-	2,291,115
Community Development	1,626,066	-	-	1,626,066
Public Works	4,979,715	520,984	-	5,500,699
Libraries	-	112,298	-	112,298
Capital Outlay	479,476	3,293,027	-	3,772,503
	<u>9,542,376</u>	<u>3,926,309</u>	<u>-</u>	<u>13,468,685</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>1,916,646</u>	<u>(1,951,456)</u>	<u>13,319</u>	<u>(21,491)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	464,810	-	-	464,810
Transfers Out	(1,953,495)	(2,280,604)	-	(4,234,099)
	<u>(1,488,685)</u>	<u>(2,280,604)</u>	<u>-</u>	<u>(3,769,289)</u>
Total Other Financing Sources (Uses)				
Extraordinary Item				
RDA Dissolution	(6,073,996)	-	-	(6,073,996)
Settlement Agreement	-	(1,186,659)	-	(1,186,659)
	<u>(5,646,035)</u>	<u>(5,418,719)</u>	<u>13,319</u>	<u>(11,051,435)</u>
Net Change in Fund Balances				
Fund Balance, Beginning of Year	<u>20,189,642</u>	<u>24,828,762</u>	<u>1,037,297</u>	<u>46,055,701</u>
Fund Balance, End of Year	<u>\$ 14,543,607</u>	<u>\$ 19,410,043</u>	<u>\$ 1,050,616</u>	<u>\$ 35,004,266</u>

City of Hemet
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2012

	<u>Public Safety/Towing</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Article 3</u>
ASSETS				
Cash and Investments	\$ 127,677	\$ 2,311,172	\$ 4,545,020	\$ -
Receivables:				
Accounts	-	1,017	-	-
Interest	-	-	-	-
Due from Other Governments	-	405,282	221,267	-
Due from Other Funds	-	-	-	-
Notes Receivable	-	-	-	-
Allowance for Forgivable Notes	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 127,677</u>	<u>\$ 2,717,471</u>	<u>\$ 4,766,287</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9,828	\$ 28,631	\$ -	\$ -
Accrued Salaries and Benefits	162	9,747	153	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>9,990</u>	<u>38,378</u>	<u>153</u>	<u>-</u>
Fund Balances:				
Restricted	117,687	2,679,093	4,766,134	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>117,687</u>	<u>2,679,093</u>	<u>4,766,134</u>	<u>-</u>
	<u>\$ 127,677</u>	<u>\$ 2,717,471</u>	<u>\$ 4,766,287</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>
\$ 215,829	\$ -	\$ -	\$ 270,971	\$ 455,083	\$ 214,951	\$ 11,254
24,645	-	-	-	-	-	-
-	-	-	-	-	-	-
-	25,186	-	22,043	66,553	-	513,552
-	-	-	316,700	1,469,750	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 240,474</u>	<u>\$ 25,186</u>	<u>\$ -</u>	<u>\$ 609,714</u>	<u>\$ 1,991,386</u>	<u>\$ 214,951</u>	<u>\$ 524,806</u>
\$ 62,745	\$ 54,773	\$ -	\$ 5,789	\$ 64,087	\$ -	\$ 8,335
-	3,586	-	824	6,072	-	661
-	-	-	-	47,250	44,415	-
-	291,460	25,240	-	-	-	608,602
-	-	-	-	-	-	226,666
<u>62,745</u>	<u>349,819</u>	<u>25,240</u>	<u>6,613</u>	<u>117,409</u>	<u>44,415</u>	<u>844,264</u>
177,729	-	-	603,101	1,873,977	170,536	-
-	(324,633)	(25,240)	-	-	-	(319,458)
<u>177,729</u>	<u>(324,633)</u>	<u>(25,240)</u>	<u>603,101</u>	<u>1,873,977</u>	<u>170,536</u>	<u>(319,458)</u>
<u>\$ 240,474</u>	<u>\$ 25,186</u>	<u>\$ -</u>	<u>\$ 609,714</u>	<u>\$ 1,991,386</u>	<u>\$ 214,951</u>	<u>\$ 524,806</u>

Continued

City of Hemet
Combining Balance Sheet
Non-major Special Revenue Funds - Continued
June 30, 2012

	<u>COPS AB 3229</u>	<u>Local Law Enforcement Block Grant</u>	<u>Community Development Block Grant</u>	<u>General Plan</u>
ASSETS				
Cash and Investments	\$ 93,828	\$ -	\$ -	\$ -
Receivables:				
Accounts	-	-	203,434	-
Interest	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Other Funds	-	-	-	-
Notes Receivable	-	-	-	-
Allowance for Forgivable Notes	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 93,828</u>	<u>\$ -</u>	<u>\$ 203,434</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 200	\$ -	\$ 50,518	\$ -
Accrued Salaries and Benefits	-	-	2,054	558
Deposits	-	-	-	-
Due to Other Funds	-	3,483	153,261	41,965
Deferred Revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>200</u>	<u>3,483</u>	<u>205,833</u>	<u>42,523</u>
Fund Balances:				
Restricted	93,628	-	-	-
Unassigned	-	(3,483)	(2,399)	(42,523)
	<u>-</u>	<u>(3,483)</u>	<u>(2,399)</u>	<u>(42,523)</u>
Total Fund Balances	<u>93,628</u>	<u>(3,483)</u>	<u>(2,399)</u>	<u>(42,523)</u>
Total Liabilities and Fund Balances	<u>\$ 93,828</u>	<u>\$ -</u>	<u>\$ 203,434</u>	<u>\$ -</u>

<u>HOME Program</u>	<u>Hemet RDA Low/Mod</u>	<u>CalHome Grant</u>	<u>2001 - 2008 Home Grant</u>	<u>NSP Program</u>	<u>Totals</u>
\$ 98,411	\$ -	\$ 63,675	\$ 263,291	\$ -	\$ 8,671,162
-	-	-	-	-	229,096
-	-	-	202,593	-	202,593
-	-	-	-	-	1,253,883
-	-	-	-	-	1,786,450
1,197,091	-	609,046	4,752,252	1,005,934	7,564,323
-	-	-	(3,764,640)	-	(3,764,640)
-	-	-	-	536,000	536,000
<u>\$ 1,295,502</u>	<u>\$ -</u>	<u>\$ 672,721</u>	<u>\$ 1,453,496</u>	<u>\$ 1,541,934</u>	<u>\$ 16,478,867</u>
\$ -	\$ -	\$ -	\$ 2,600	\$ 3,398	\$ 290,904
-	-	-	260	-	24,077
-	-	-	-	-	91,665
-	-	-	-	177,937	1,301,948
-	-	-	-	-	226,666
-	-	-	2,860	181,335	1,935,260
1,295,502	-	672,721	1,450,636	1,360,599	15,261,343
-	-	-	-	-	(717,736)
<u>1,295,502</u>	<u>-</u>	<u>672,721</u>	<u>1,450,636</u>	<u>1,360,599</u>	<u>14,543,607</u>
<u>\$ 1,295,502</u>	<u>\$ -</u>	<u>\$ 672,721</u>	<u>\$ 1,453,496</u>	<u>\$ 1,541,934</u>	<u>\$ 16,478,867</u>

City of Hemet
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2012

	Public <u>Safety/Towing</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Article 3</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 1,322,966	\$ -
Intergovernmental Revenue	-	2,189,002	-	92,509
Charges for Services	107,137	336,790	-	-
Investment Income	995	21,543	40,496	-
Miscellaneous	-	9,219	-	-
	<u>108,132</u>	<u>2,556,554</u>	<u>1,363,462</u>	<u>92,509</u>
Total Revenues	<u>108,132</u>	<u>2,556,554</u>	<u>1,363,462</u>	<u>92,509</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	58,077	-	-	-
Community Development	-	-	-	-
Public Works	-	1,803,099	-	-
Capital Outlay	-	-	142	92,509
	<u>58,077</u>	<u>1,803,099</u>	<u>142</u>	<u>92,509</u>
Total Expenditures	<u>58,077</u>	<u>1,803,099</u>	<u>142</u>	<u>92,509</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>50,055</u>	<u>753,455</u>	<u>1,363,320</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	359,996	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>359,996</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>359,996</u>	<u>-</u>	<u>-</u>
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	50,055	1,113,451	1,363,320	-
Fund Balances, Beginning of Year	<u>67,632</u>	<u>1,565,642</u>	<u>3,402,814</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 117,687</u>	<u>\$ 2,679,093</u>	<u>\$ 4,766,134</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
99,836	-	-	-	-	13,371	1,917,596
-	1,854,491	-	138,582	1,029,836	-	-
2,044	-	-	4,918	20,346	1,717	113
-	1,030	-	18,153	5,942	-	-
<u>101,880</u>	<u>1,855,521</u>	<u>-</u>	<u>161,653</u>	<u>1,056,124</u>	<u>15,088</u>	<u>1,917,709</u>
-	-	-	-	-	-	-
-	-	-	-	-	12,960	2,144,376
-	-	-	-	-	-	-
-	1,448,630	-	219,123	1,357,762	-	-
<u>172,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>172,820</u>	<u>1,448,630</u>	<u>-</u>	<u>219,123</u>	<u>1,357,762</u>	<u>12,960</u>	<u>2,144,376</u>
<u>(70,940)</u>	<u>406,891</u>	<u>-</u>	<u>(57,470)</u>	<u>(301,638)</u>	<u>2,128</u>	<u>(226,667)</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>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(70,940)</u>	<u>406,891</u>	<u>-</u>	<u>(87,470)</u>	<u>(266,634)</u>	<u>2,128</u>	<u>(226,667)</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>
<u>\$ 177,729</u>	<u>\$ (324,633)</u>	<u>\$ (25,240)</u>	<u>\$ 603,101</u>	<u>\$ 1,873,977</u>	<u>\$ 170,536</u>	<u>\$ (319,458)</u>

Continued

City of Hemet
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2012

	COPS AB 3229	Local Law Enforcement Block Grant	Community Development Block Grant	General Plan
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	220,862	16,183	720,216	-
Charges for Services	-	-	-	24,600
Investment Income	1,362	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	222,224	16,183	720,216	24,600
EXPENDITURES				
Current:				
General Government	-	-	166,004	-
Public Safety	75,702	-	-	-
Community Development	-	-	556,611	-
Public Works	-	-	-	151,101
Capital Outlay	196,727	17,278	-	-
Total Expenditures	272,429	17,278	722,615	151,101
Excess (Deficiency) of Revenues Over Expenditures	(50,205)	(1,095)	(2,399)	(126,501)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	(50,205)	(1,095)	(2,399)	(126,501)
Fund Balances, Beginning of Year	143,833	(2,388)	-	83,978
Fund Balances, End of Year	\$ 93,628	\$ (3,483)	\$ (2,399)	\$ (42,523)

<u>HOME Program</u>	<u>Hemet RDA Low/Mod</u>	<u>CalHome Grant</u>	<u>2001 - 2008 Home Grant</u>	<u>NSP Program</u>	<u>Totals</u>
\$ -	\$ 1,030,369	\$ -	\$ -	\$ -	\$ 2,353,335
-	-	592	36	213,666	5,483,869
-	-	-	-	-	3,491,436
617	-	-	1,887	-	96,038
-	-	-	-	-	34,344
<u>617</u>	<u>1,030,369</u>	<u>592</u>	<u>1,923</u>	<u>213,666</u>	<u>11,459,022</u>
-	-	-	-	-	166,004
-	-	-	-	-	2,291,115
95,094	385,159	184,668	50,432	354,102	1,626,066
-	-	-	-	-	4,979,715
-	-	-	-	-	479,476
<u>95,094</u>	<u>385,159</u>	<u>184,668</u>	<u>50,432</u>	<u>354,102</u>	<u>9,542,376</u>
<u>(94,477)</u>	<u>645,210</u>	<u>(184,076)</u>	<u>(48,509)</u>	<u>(140,436)</u>	<u>1,916,646</u>
28,609	41,201	-	-	-	464,810
-	(1,894,886)	-	(28,609)	-	(1,953,495)
<u>28,609</u>	<u>(1,853,685)</u>	<u>-</u>	<u>(28,609)</u>	<u>-</u>	<u>(1,488,685)</u>
<u>-</u>	<u>(6,073,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,073,996)</u>
(65,868)	(7,282,471)	(184,076)	(77,118)	(140,436)	(5,646,035)
<u>1,361,370</u>	<u>7,282,471</u>	<u>856,797</u>	<u>1,527,754</u>	<u>1,501,035</u>	<u>20,189,642</u>
<u>\$ 1,295,502</u>	<u>\$ -</u>	<u>\$ 672,721</u>	<u>\$ 1,450,636</u>	<u>\$ 1,360,599</u>	<u>\$ 14,543,607</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ 67,000	\$ 107,137	\$ 40,137
Investment Income	500	995	495
Miscellaneous	-	-	-
Total Revenues	<u>67,500</u>	<u>108,132</u>	<u>40,632</u>
EXPENDITURES			
Current:			
General Government		-	-
Public Safety	68,594	58,077	10,517
Capital Outlay	16,700	-	16,700
Total Expenditures	<u>85,294</u>	<u>58,077</u>	<u>27,217</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(17,794)</u>	<u>50,055</u>	<u>67,849</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(17,794)	50,055	67,849
Fund Balance, Beginning of Year	67,632	67,632	-
Fund Balance, End of Year	<u>\$ 49,838</u>	<u>\$ 117,687</u>	<u>\$ 67,849</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and Permits	\$ -	\$ -	\$ -
Intergovernmental Revenue	2,024,500	2,189,002	164,502
Charges for Services	808,300	336,790	(471,510)
Investment Income	2,000	21,543	19,543
Miscellaneous	-	9,219	9,219
	<u>2,834,800</u>	<u>2,556,554</u>	<u>(278,246)</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Public Works	1,988,120	1,803,099	185,021
Sanitation	-	-	-
Capital Outlay	-	-	-
	<u>1,988,120</u>	<u>1,803,099</u>	<u>185,021</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>846,680</u>	<u>753,455</u>	<u>(93,225)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	372,000	359,996	(12,004)
Transfers Out	-	-	-
	<u>372,000</u>	<u>359,996</u>	<u>(12,004)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	1,218,680	1,113,451	(105,229)
Fund Balances, Beginning of Year	<u>1,565,642</u>	<u>1,565,642</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,784,322</u>	<u>\$ 2,679,093</u>	<u>\$ (105,229)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 1,120,000	\$ 1,322,966	\$ 202,966
Investment Income	20,000	40,496	20,496
Intergovernmental Revenue	-	-	-
Total Revenues	<u>1,140,000</u>	<u>1,363,462</u>	<u>223,462</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Capital Outlay	46,955	142	46,813
Total Expenditures	<u>46,955</u>	<u>142</u>	<u>46,813</u>
Excess (Deficiency) of Revenues Over Expenditures	1,093,045	1,363,320	270,275
Fund Balance, Beginning of Year	<u>3,402,814</u>	<u>3,402,814</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,495,859</u></u>	<u><u>\$ 4,766,134</u></u>	<u><u>\$ 270,275</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	92,509	92,509
Total Revenues	<u>-</u>	<u>92,509</u>	<u>92,509</u>
EXPENDITURES			
Current:			
Public Works		-	-
Capital Outlay	92,509	92,509	-
Total Expenditures	<u>92,509</u>	<u>92,509</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(92,509)	-	92,509
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (92,509)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 92,509</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	80,000	99,836	19,836
Investment Income	1,000	2,044	1,044
Total Revenues	<u>81,000</u>	<u>101,880</u>	<u>20,880</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Capital Outlay	163,602	172,820	(9,218)
Total Expenditures	<u>163,602</u>	<u>172,820</u>	<u>(9,218)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(82,602)</u>	<u>(70,940)</u>	<u>11,662</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(82,602)	(70,940)	11,662
Fund Balance, Beginning of Year	<u>248,669</u>	<u>248,669</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 166,067</u>	<u>\$ 177,729</u>	<u>\$ 11,662</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for Services	1,901,100	1,854,491	(46,609)
Investment Income	-	-	-
Miscellaneous	-	1,030	1,030
Total Revenues	<u>1,901,100</u>	<u>1,855,521</u>	<u>(45,579)</u>
EXPENDITURES			
Current:			
Public Works	1,577,129	1,448,630	128,499
Capital Outlay	-	-	-
Total Expenditures	<u>1,577,129</u>	<u>1,448,630</u>	<u>128,499</u>
Excess (Deficiency) of Revenues over Expenditures	<u>323,971</u>	<u>406,891</u>	<u>82,920</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	323,971	406,891	82,920
Fund Balance, Beginning of Year	<u>(731,524)</u>	<u>(731,524)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (407,553)</u>	<u>\$ (324,633)</u>	<u>\$ 82,920</u>

City of Hemet
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - ISTEA Special Revenue Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-
Investment Income	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	<u>(25,240)</u>	<u>(25,240)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (25,240)</u>	<u>\$ (25,240)</u>	<u>\$ -</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for Services	107,000	138,582	31,582
Investment Income	-	4,918	4,918
Miscellaneous	-	18,153	18,153
	<u>107,000</u>	<u>161,653</u>	<u>54,653</u>
Total Revenues			
EXPENDITURES			
Current:			
Public Works	289,033	219,123	69,910
Capital Outlay	-	-	-
	<u>289,033</u>	<u>219,123</u>	<u>69,910</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>(182,033)</u>	<u>(57,470)</u>	<u>124,563</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(30,000)	(30,000)	-
	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(212,033)	(87,470)	124,563
Fund Balance, Beginning of Year	<u>690,571</u>	<u>690,571</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 478,538</u>	<u>\$ 603,101</u>	<u>\$ 124,563</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for Services	957,600	1,029,836	72,236
Investment Income	-	20,346	20,346
Miscellaneous	-	5,942	5,942
Total Revenues	<u>957,600</u>	<u>1,056,124</u>	<u>98,524</u>
EXPENDITURES			
Current:			
Public Works	1,633,502	1,357,762	275,740
Capital Outlay	-	-	-
Total Expenditures	<u>1,633,502</u>	<u>1,357,762</u>	<u>275,740</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(675,902)</u>	<u>(301,638)</u>	<u>374,264</u>
OTHER FINANCING SOURCES (USES)			
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	(640,902)	(266,634)	374,268
Fund Balance, Beginning of Year	<u>2,140,611</u>	<u>2,140,611</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,499,709</u>	<u>\$ 1,873,977</u>	<u>\$ 374,268</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	13,371	13,371
Investment Income	-	1,717	1,717
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>15,088</u>	<u>15,088</u>
EXPENDITURES			
Current:			
Public Safety	13,020	12,960	60
Capital Outlay	-	-	-
Total Expenditures	<u>13,020</u>	<u>12,960</u>	<u>60</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(13,020)</u>	<u>2,128</u>	<u>15,148</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(13,020)	2,128	15,148
Fund Balance, Beginning of Year	<u>168,408</u>	<u>168,408</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 155,388</u>	<u>\$ 170,536</u>	<u>\$ 15,148</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,917,596	1,917,596	-
Investment Income	-	113	113
Total Revenues	<u>1,917,596</u>	<u>1,917,709</u>	<u>113</u>
EXPENDITURES			
Current:			
Public Safety	1,865,964	2,144,376	(278,412)
Capital Outlay	-	-	-
Total Expenditures	<u>1,865,964</u>	<u>2,144,376</u>	<u>(278,412)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>51,632</u>	<u>(226,667)</u>	<u>(278,299)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	51,632	(226,667)	(278,299)
Fund Balance, Beginning of Year	<u>(92,791)</u>	<u>(92,791)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (41,159)</u>	<u>\$ (319,458)</u>	<u>\$ (278,299)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	220,862	220,862	-
Investment Income	-	1,362	1,362
Total Revenues	<u>220,862</u>	<u>222,224</u>	<u>1,362</u>
EXPENDITURES			
Current:			
Public Safety	75,702	75,702	-
Capital Outlay	196,727	196,727	-
Total Expenditures	<u>272,429</u>	<u>272,429</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(51,567)</u>	<u>(50,205)</u>	<u>1,362</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(51,567)	(50,205)	1,362
Fund Balance, Beginning of Year	<u>143,833</u>	<u>143,833</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 92,266</u>	<u>\$ 93,628</u>	<u>\$ 1,362</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	16,183	16,183	-
Total Revenues	<u>16,183</u>	<u>16,183</u>	<u>-</u>
EXPENDITURES			
Current:			
Public Safety	-	-	-
Capital Outlay	17,278	17,278	-
Total Expenditures	<u>17,278</u>	<u>17,278</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,095)</u>	<u>(1,095)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,095)	(1,095)	-
Fund Balance, Beginning of Year	<u>(2,388)</u>	<u>(2,388)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (3,483)</u></u>	<u><u>\$ (3,483)</u></u>	<u><u>\$ -</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	720,216	720,216
Total Revenues	<u>-</u>	<u>720,216</u>	<u>720,216</u>
EXPENDITURES			
Current:			
General Governmental	170,959	166,004	4,955
Community Development	520,369	556,611	(36,242)
Capital Outlay	-	-	-
Total Expenditures	<u>691,328</u>	<u>722,615</u>	<u>(31,287)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(691,328)</u>	<u>(2,399)</u>	<u>688,929</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(691,328)	(2,399)	688,929
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u>\$ (691,328)</u>	<u>\$ (2,399)</u>	<u>\$ 688,929</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for Services	22,500	24,600	2,100
Investment Income	1,000	-	(1,000)
Total Revenues	<u>23,500</u>	<u>24,600</u>	<u>1,100</u>
EXPENDITURES			
Current:			
Public Works	224,509	151,101	73,408
Capital Outlay	-	-	-
Total Expenditures	<u>224,509</u>	<u>151,101</u>	<u>73,408</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(201,009)</u>	<u>(126,501)</u>	<u>74,508</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(201,009)	(126,501)	74,508
Fund Balance, Beginning of Year	<u>83,978</u>	<u>83,978</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (117,031)</u>	<u>\$ (42,523)</u>	<u>\$ 74,508</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Investment Income	5,000	617	(4,383)
Total Revenues	<u>5,000</u>	<u>617</u>	<u>(4,383)</u>
EXPENDITURES			
Current:			
Community Development	-	95,094	(95,094)
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>95,094</u>	<u>(95,094)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,000</u>	<u>(94,477)</u>	<u>(99,477)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	28,609	28,609
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>28,609</u>	<u>28,609</u>
Net Change in Fund Balances	5,000	(65,868)	(70,868)
Fund Balance, Beginning of Year	<u>1,361,370</u>	<u>1,361,370</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,366,370</u></u>	<u><u>\$ 1,295,502</u></u>	<u><u>\$ (70,868)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 1,702,000	\$ 1,030,369	\$ (671,631)
Investment Income	43,500	-	(43,500)
Miscellaneous	-	-	-
Total Revenues	<u>1,745,500</u>	<u>1,030,369</u>	<u>(715,131)</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Community Development	3,245,859	385,159	2,860,700
Total Expenditures	<u>3,245,859</u>	<u>385,159</u>	<u>2,860,700</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,500,359)</u>	<u>645,210</u>	<u>2,145,569</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	41,201	41,201
Transfers Out	(635,000)	(1,894,886)	(1,259,886)
Total Other Financing Sources (Uses)	<u>(635,000)</u>	<u>(1,853,685)</u>	<u>(1,218,685)</u>
Extraordinary Item	-	(6,073,996)	(6,073,996)
Net Change in Fund Balances	(2,135,359)	(7,282,471)	(5,147,112)
Fund Balance, Beginning of Year	<u>7,282,471</u>	<u>7,282,471</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,147,112</u>	<u>\$ -</u>	<u>\$ (5,147,112)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	5,000	592	(4,408)
Total Revenues	<u>5,000</u>	<u>592</u>	<u>(4,408)</u>
EXPENDITURES			
Current:			
Community Development	-	184,668	(184,668)
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>184,668</u>	<u>(184,668)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,000</u>	<u>(184,076)</u>	<u>(189,076)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	5,000	(184,076)	(189,076)
Fund Balance, Beginning of Year	<u>856,797</u>	<u>856,797</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 861,797</u>	<u>\$ 672,721</u>	<u>\$ (189,076)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	517,500	36	(517,464)
Investment Income	500	1,887	1,387
Miscellaneous	-	-	-
Total Revenues	<u>518,000</u>	<u>1,923</u>	<u>(516,077)</u>
EXPENDITURES			
Current:			
Community Development	76,964	50,432	26,532
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>76,964</u>	<u>50,432</u>	<u>26,532</u>
Excess (Deficiency) of Revenues over Expenditures	<u>441,036</u>	<u>(48,509)</u>	<u>(489,545)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(28,609)	(28,609)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(28,609)</u>	<u>(28,609)</u>
Net Change in Fund Balances	441,036	(77,118)	(518,154)
Fund Balance, Beginning of Year	<u>1,527,754</u>	<u>1,527,754</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,968,790</u>	<u>\$ 1,450,636</u>	<u>\$ (518,154)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	110,441	213,666	103,225
Investment Income	-	-	-
Miscellaneous	-	-	-
	<u>110,441</u>	<u>213,666</u>	<u>103,225</u>
Total Revenues	<u>110,441</u>	<u>213,666</u>	<u>103,225</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Capital Outlay	-	354,102	(354,102)
	<u>-</u>	<u>354,102</u>	<u>(354,102)</u>
Total Expenditures	<u>-</u>	<u>354,102</u>	<u>(354,102)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>110,441</u>	<u>(140,436)</u>	<u>(250,877)</u>
OTHER FINANCING SOURCES (USES)			
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	<u>110,441</u>	<u>(140,436)</u>	<u>(250,877)</u>
Fund Balance, Beginning of Year	<u>1,501,035</u>	<u>1,501,035</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,611,476</u>	<u>\$ 1,360,599</u>	<u>\$ (250,877)</u>

City of Hemet
Combining Balance Sheet
Non-major Capital Projects Funds
June 30, 2012

	<u>Public Meeting Facilities</u>	<u>General Facilities</u>	<u>Flood Control</u>	<u>Law Enforcement Facilities</u>
ASSETS				
Cash and Investments	\$ 570,699	\$ 1,477,844	\$ 2,409,652	\$ 531,958
Due from Other Governments	-	-	-	-
Advances to Other Funds	-	-	354,137	-
	<u>-</u>	<u>-</u>	<u>354,137</u>	<u>-</u>
Total Assets	<u>\$ 570,699</u>	<u>\$ 1,477,844</u>	<u>\$ 2,763,789</u>	<u>\$ 531,958</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	630	-
Deposits	-	-	-	-
Advances from Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>630</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	354,137	-
Restricted	570,699	1,477,844	2,409,022	531,958
Assigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>570,699</u>	<u>1,477,844</u>	<u>2,763,159</u>	<u>531,958</u>
Total Liabilities and Fund Balances	<u>\$ 570,699</u>	<u>\$ 1,477,844</u>	<u>\$ 2,763,789</u>	<u>\$ 531,958</u>

<u>Park Development</u>	<u>Valley Wide DVL Park</u>	<u>Library Facilities</u>	<u>Equipment Replacement</u>	<u>General Capital</u>
\$ 908,922	\$ 268,663	\$ 1,304,353	\$ 4,402,390	\$ 8,564
-	-	-	-	-
-	-	-	-	-
<u>\$ 908,922</u>	<u>\$ 268,663</u>	<u>\$ 1,304,353</u>	<u>\$ 4,402,390</u>	<u>\$ 8,564</u>
\$ -	\$ -	\$ 3,364	\$ 221,347	\$ -
632	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>632</u>	<u>-</u>	<u>3,364</u>	<u>221,347</u>	<u>-</u>
-	-	-	-	-
908,290	268,663	1,300,989	-	8,564
-	-	-	4,181,043	-
<u>908,290</u>	<u>268,663</u>	<u>1,300,989</u>	<u>4,181,043</u>	<u>8,564</u>
<u>\$ 908,922</u>	<u>\$ 268,663</u>	<u>\$ 1,304,353</u>	<u>\$ 4,402,390</u>	<u>\$ 8,564</u>

Continued

City of Hemet
Combining Balance Sheet
Non-major Capital Projects Funds - Continued
June 30, 2012

	Fire Facilities	Bridges/Streets/ Traffic Facilities	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 3,876,537	\$ 4,334,761	\$ 20,094,343
Due from Other Governments	-	153,010	153,010
Advances to Other Funds	-	-	354,137
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,876,537</u>	<u>\$ 4,487,771</u>	<u>\$ 20,601,490</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ 135,079	\$ 359,790
Accrued Salaries and Benefits	-	655	1,917
Deposits	-	475,603	475,603
Advance from Other Funds	354,137	-	354,137
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>354,137</u>	<u>611,337</u>	<u>1,191,447</u>
Fund Balances:			
Nonspendable	-	-	354,137
Restricted	3,522,400	3,876,434	14,874,863
Assigned	-	-	4,181,043
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,522,400</u>	<u>3,876,434</u>	<u>19,410,043</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 3,876,537</u>	<u>\$ 4,487,771</u>	<u>\$ 20,601,490</u>

This page intentionally left blank

City of Hemet
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Capital Projects Funds
Year Ended June 30, 2012

	Public Meeting Facilities	General Facilities	Flood Control	Law Enforcement Facilities
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	57,964	88,673	35,008
Investment Income	4,579	33,146	38,003	4,221
Miscellaneous	-	-	988	-
Total Revenues	<u>4,579</u>	<u>91,110</u>	<u>127,664</u>	<u>39,229</u>
EXPENDITURES				
Current:				
Public Works	-	-	133,178	-
Libraries	-	-	-	-
Capital Outlay	-	-	42,000	10,712
Total Expenditures	<u>-</u>	<u>-</u>	<u>175,178</u>	<u>10,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,579</u>	<u>91,110</u>	<u>(47,514)</u>	<u>28,517</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary Items				
Settlement Agreement	-	-	(1,186,659)	-
Net Change in Fund Balances	4,579	91,110	(1,234,173)	28,517
Fund Balances, Beginning of Year	<u>566,120</u>	<u>1,386,734</u>	<u>3,997,332</u>	<u>503,441</u>
Fund Balances, End of Year	<u><u>\$ 570,699</u></u>	<u><u>\$ 1,477,844</u></u>	<u><u>\$ 2,763,159</u></u>	<u><u>\$ 531,958</u></u>

<u>Park Development</u>	<u>Valley Wide DVL Park</u>	<u>Library Facilities</u>	<u>Equipment Replacement</u>	<u>General Capital</u>
\$ -	\$ -	\$ -	\$ -	\$ -
108,000	21,040	54,640	383,823	-
7,414	2,085	14,431	58,882	-
-	-	-	-	-
<u>115,414</u>	<u>23,125</u>	<u>69,071</u>	<u>442,705</u>	<u>-</u>
126,186	-	-	-	-
-	-	112,298	-	-
-	-	10,773	289,600	-
<u>126,186</u>	<u>-</u>	<u>123,071</u>	<u>289,600</u>	<u>-</u>
<u>(10,772)</u>	<u>23,125</u>	<u>(54,000)</u>	<u>153,105</u>	<u>-</u>
-	-	-	-	-
-	-	-	(2,280,604)	-
-	-	-	(2,280,604)	-
-	-	-	-	-
<u>(10,772)</u>	<u>23,125</u>	<u>(54,000)</u>	<u>(2,127,499)</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>\$ 908,290</u>	<u>\$ 268,663</u>	<u>\$ 1,300,989</u>	<u>\$ 4,181,043</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, 2012

	Fire Facilities	Bridges/Streets/ Traffic Facilities	Totals
REVENUES			
Intergovernmental	\$ -	\$ 714,651	\$ 714,651
Charges for Services	41,608	199,894	990,650
Investment Income	41,678	64,125	268,564
Miscellaneous	-	-	988
	<u>83,286</u>	<u>978,670</u>	<u>1,974,853</u>
Total Revenues			
EXPENDITURES			
Current:			
Public Works	26,077	235,543	520,984
Libraries	-	-	112,298
Capital Outlay	-	2,939,942	3,293,027
	<u>26,077</u>	<u>3,175,485</u>	<u>3,926,309</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>57,209</u>	<u>(2,196,815)</u>	<u>(1,951,456)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	(2,280,604)
	<u>-</u>	<u>-</u>	<u>(2,280,604)</u>
Total Other Financing Sources (Uses)			
Extraordinary Items			
Settlement Agreement	-	-	(1,186,659)
	<u>-</u>	<u>-</u>	<u>(1,186,659)</u>
Net Change in Fund Balances	57,209	(2,196,815)	(5,418,719)
Fund Balances, Beginning of Year	<u>3,465,191</u>	<u>6,073,249</u>	<u>24,828,762</u>
Fund Balances, End of Year	<u>\$ 3,522,400</u>	<u>\$ 3,876,434</u>	<u>\$ 19,410,043</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Investment Income	2,000	4,579	2,579
Total Revenues	<u>2,000</u>	<u>4,579</u>	<u>2,579</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Libraries	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,000</u>	<u>4,579</u>	<u>2,579</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,000	4,579	2,579
Fund Balance, Beginning of Year	<u>566,120</u>	<u>566,120</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 568,120</u>	<u>\$ 570,699</u>	<u>\$ 2,579</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	60,000	57,964	(2,036)
Investment Income	30,000	33,146	3,146
Miscellaneous	-	-	-
Total Revenues	<u>90,000</u>	<u>91,110</u>	<u>1,110</u>
EXPENDITURES			
Current:			
Public Works	98	-	98
Capital Outlay	-	-	-
Total Expenditures	<u>98</u>	<u>-</u>	<u>98</u>
Excess (Deficiency) of Revenues over Expenditures	<u>89,902</u>	<u>91,110</u>	<u>1,208</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	89,902	91,110	1,208
Fund Balance, Beginning of Year	<u>1,386,734</u>	<u>1,386,734</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,476,636</u></u>	<u><u>\$ 1,477,844</u></u>	<u><u>\$ 1,208</u></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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	120,000	88,673	(31,327)
Investment Income	40,000	38,003	(1,997)
Miscellaneous	-	988	988
	<u>160,000</u>	<u>127,664</u>	<u>(32,336)</u>
EXPENDITURES			
Current:			
Public Works	151,073	133,178	17,895
Capital Outlay	70,000	42,000	28,000
	<u>221,073</u>	<u>175,178</u>	<u>45,895</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(61,073)</u>	<u>(47,514)</u>	<u>13,559</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary Item	<u>-</u>	<u>(1,186,659)</u>	<u>(1,186,659)</u>
Net Change in Fund Balances	(61,073)	(1,234,173)	(1,173,100)
Fund Balance, Beginning of Year	<u>3,997,332</u>	<u>3,997,332</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,936,259</u>	<u>\$ 2,763,159</u>	<u>\$(1,173,100)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	58,425	35,008	(23,417)
Investment Income	500	4,221	3,721
Total Revenues	<u>58,925</u>	<u>39,229</u>	<u>(19,696)</u>
EXPENDITURES			
Current:			
Public Works	103	-	103
Capital Outlay	-	10,712	(10,712)
Total Expenditures	<u>103</u>	<u>10,712</u>	<u>(10,609)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>58,822</u>	<u>28,517</u>	<u>(30,305)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	58,822	28,517	(30,305)
Fund Balance, Beginning of Year	<u>503,441</u>	<u>503,441</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 562,263</u>	<u>\$ 531,958</u>	<u>\$ (30,305)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	115,000	108,000	(7,000)
Investment Income	7,000	7,414	414
Total Revenues	<u>122,000</u>	<u>115,414</u>	<u>(6,586)</u>
EXPENDITURES			
Current:			
Public Works	137,703	126,186	11,517
Capital Outlay	-	-	-
Total Expenditures	<u>137,703</u>	<u>126,186</u>	<u>11,517</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(15,703)</u>	<u>(10,772)</u>	<u>4,931</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(15,703)	(10,772)	4,931
Fund Balance, Beginning of Year	<u>919,062</u>	<u>919,062</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 903,359</u>	<u>\$ 908,290</u>	<u>\$ 4,931</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	23,000	21,040	(1,960)
Investment Income	500	2,085	1,585
Total Revenues	<u>23,500</u>	<u>23,125</u>	<u>(375)</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>23,500</u>	<u>23,125</u>	<u>(375)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,500	23,125	(375)
Fund Balance, Beginning of Year	<u>245,538</u>	<u>245,538</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 269,038</u>	<u>\$ 268,663</u>	<u>\$ (375)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	60,000	54,640	(5,360)
Investment Income	8,000	14,431	6,431
Total Revenues	<u>68,000</u>	<u>69,071</u>	<u>1,071</u>
EXPENDITURES			
Current:			
Public Works	-	-	-
Libraries	113,984	112,298	1,686
Capital Outlay	25,000	10,773	14,227
Total Expenditures	<u>138,984</u>	<u>123,071</u>	<u>15,913</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(70,984)</u>	<u>(54,000)</u>	<u>16,984</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(70,984)	(54,000)	16,984
Fund Balance, Beginning of Year	<u>1,354,989</u>	<u>1,354,989</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,284,005</u>	<u>\$ 1,300,989</u>	<u>\$ 16,984</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	668,600	383,823	(284,777)
Investment Income	20,000	58,882	38,882
Miscellaneous	60,000	-	(60,000)
	<u>748,600</u>	<u>442,705</u>	<u>(305,895)</u>
Total Revenues			
EXPENDITURES			
Current:			
Public Works	-	-	-
Capital Outlay	231,000	289,600	(58,600)
	<u>231,000</u>	<u>289,600</u>	<u>(58,600)</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>517,600</u>	<u>153,105</u>	<u>(364,495)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(2,280,604)	(2,280,604)
	<u>-</u>	<u>(2,280,604)</u>	<u>(2,280,604)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	517,600	(2,127,499)	(2,645,099)
Fund Balance, Beginning of Year	<u>6,308,542</u>	<u>6,308,542</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,826,142</u>	<u>\$ 4,181,043</u>	<u>\$(2,645,099)</u>

City of Hemet
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Capital Capital Projects Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Investment Income	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	-	-	-
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
General Governmental	-	-	-
Public Works	-	-	-
Capital Outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	45,000	41,608	(3,392)
Investment Income	4,000	41,678	37,678
Miscellaneous	-	-	-
	<u>49,000</u>	<u>83,286</u>	<u>34,286</u>
Total Revenues			
EXPENDITURES			
Current:			
Public Safety	-	-	-
Public Works	22,653	26,077	(3,424)
Capital Outlay	-	-	-
	<u>22,653</u>	<u>26,077</u>	<u>(3,424)</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>26,347</u>	<u>57,209</u>	<u>30,862</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	26,347	57,209	30,862
Fund Balance, Beginning of Year	<u>3,465,191</u>	<u>3,465,191</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,491,538</u>	<u>\$ 3,522,400</u>	<u>\$ 30,862</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 714,651	\$ 714,651	\$ -
Charges for Services	229,000	199,894	(29,106)
Investment Income	40,000	64,125	24,125
Miscellaneous	-	-	-
Total Revenues	<u>983,651</u>	<u>978,670</u>	<u>(4,981)</u>
EXPENDITURES			
Current:			
Public Works	809,581	235,543	574,038
Capital Outlay	<u>2,836,963</u>	<u>2,939,942</u>	<u>(102,979)</u>
Total Expenditures	<u>3,646,544</u>	<u>3,175,485</u>	<u>471,059</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,662,893)</u>	<u>(2,196,815)</u>	<u>466,078</u>
OTHER FINANCING SOURCES (USES)			
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	(2,662,893)	(2,196,815)	466,078
Fund Balance, Beginning of Year	<u>6,073,249</u>	<u>6,073,249</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,410,356</u></u>	<u><u>\$ 3,876,434</u></u>	<u><u>\$ 466,078</u></u>

City of Hemet
Balance Sheet
Non-major Permanent Funds
June 30, 2012

	<u>LaSalle Library Endowment</u>	<u>Total</u>
ASSETS		
Cash and Investments	\$ 1,057,427	\$ 1,057,427
Interest Receivable	<u>1,944</u>	<u>1,944</u>
Total Assets	<u>\$ 1,059,371</u>	<u>\$ 1,059,371</u>
LIABILITIES		
Deposits	<u>\$ 8,755</u>	<u>\$ 8,755</u>
Total Liabilities	<u>8,755</u>	<u>8,755</u>
Fund Balances:		
Nonspendable	1,000,000	1,000,000
Restricted	<u>50,616</u>	<u>50,616</u>
Total Fund Balances	<u>1,050,616</u>	<u>1,050,616</u>
Total Liabilities and Fund Balances	<u>\$ 1,059,371</u>	<u>\$ 1,059,371</u>

City of Hemet
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Permanent Funds
Year Ended June 30, 2012

	<u>LaSalle Library Endowment</u>	<u>Total</u>
REVENUES		
Investment Income	\$ 13,319	\$ 13,319
Total Revenues	<u>13,319</u>	<u>13,319</u>
EXPENDITURES		
Current:		
Libraries	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,319</u>	<u>13,319</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	13,319	13,319
Fund Balance, Beginning of Year	<u>1,037,297</u>	<u>1,037,297</u>
Fund Balance, End of Year	<u><u>\$ 1,050,616</u></u>	<u><u>\$ 1,050,616</u></u>

This page intentionally left blank

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, 2012

	<u>Admin Services</u>	<u>Workers' Compensation Admin</u>	<u>Medical Insurance Admin</u>
ASSETS			
Current:			
Cash and Investments	\$ 3,004,850	\$ 1,082,199	\$ 893,763
Accounts Receivable	439	-	-
Due from Other Funds	-	812,687	-
Due from Agency Funds	-	347,736	-
Inventory	171,293	-	-
	<u>3,176,582</u>	<u>2,242,622</u>	<u>893,763</u>
Total Current Assets			
Property, Plant and Equipment:			
Capital Assets	4,136,108	-	-
Less Accumulated Depreciation	<u>(3,714,328)</u>	<u>-</u>	<u>-</u>
	<u>421,780</u>	<u>-</u>	<u>-</u>
Total Property, Plant and Equipment			
	<u>3,598,362</u>	<u>2,242,622</u>	<u>893,763</u>
Total Assets			
LIABILITIES			
Accounts Payable	348,663	2,847	-
Accrued Salaries and Benefits	17,449	-	-
Due to Other Funds	100,665	-	-
Claims and Judgments Payable	<u>-</u>	<u>49,619</u>	<u>28,333</u>
	<u>466,777</u>	<u>52,466</u>	<u>28,333</u>
Total Liabilities			
Net Assets:			
Invested in Capital Assets, Net of Related Debt	421,780	-	-
Unrestricted	<u>2,709,805</u>	<u>2,190,156</u>	<u>865,430</u>
	<u>\$ 3,131,585</u>	<u>\$ 2,190,156</u>	<u>\$ 865,430</u>
Total Net Assets			

<u>Liability Insurance</u>	<u>OPEB</u>	<u>Total</u>
\$ -	\$ 945,588	\$ 5,926,400
1,600,548	393	1,601,380
-	-	812,687
-	-	347,736
-	-	171,293
<u>1,600,548</u>	<u>945,981</u>	<u>8,859,496</u>
-	-	4,136,108
-	-	<u>(3,714,328)</u>
-	-	421,780
<u>1,600,548</u>	<u>945,981</u>	<u>9,281,276</u>
57,172	-	408,682
-	-	17,449
712,022	-	812,687
<u>430,492</u>	<u>14,923</u>	<u>523,367</u>
<u>1,199,686</u>	<u>14,923</u>	<u>1,762,185</u>
-	-	421,780
<u>400,862</u>	<u>931,058</u>	<u>7,097,311</u>
<u>\$ 400,862</u>	<u>\$ 931,058</u>	<u>\$ 7,519,091</u>

City of Hemet
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2012

	Admin Services	Workers' Compensation Admin	Medical Insurance Admin
OPERATING REVENUE			
Charges for Services	\$ 6,963,545	\$ 1,362,183	\$ 310,751
Total Operating Revenue	<u>6,963,545</u>	<u>1,362,183</u>	<u>310,751</u>
OPERATING EXPENSES			
Personal Services	4,034,543	566,103	14,815
Parts and Supplies	304,437	-	-
Maintenance	1,316,675	-	-
Utilities	558,939	-	-
Contracts, Rents and Leases	258,708	-	-
Insurance	101,200	1,133,363	-
Claims and Judgments	-	25,068	311,335
General Office	1,159	-	-
Depreciation	66,449	-	-
Total Operating Expenses	<u>6,642,110</u>	<u>1,724,534</u>	<u>326,150</u>
Operating Income (Loss)	<u>321,435</u>	<u>(362,351)</u>	<u>(15,399)</u>
NONOPERATING REVENUE (EXPENSES)			
Interest Expense	-	-	-
Miscellaneous	-	323,057	-
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>323,057</u>	<u>-</u>
Income (Loss) Before Transfers and Capital Contributions	321,435	(39,294)	(15,399)
Capital Contributions	568,202	-	-
Transfers In	95,489	-	-
Transfers Out	-	-	-
Change in Net Assets	<u>985,126</u>	<u>(39,294)</u>	<u>(15,399)</u>
Net Assets, Beginning	<u>2,146,459</u>	<u>2,229,450</u>	<u>880,829</u>
Net Assets, Ending	<u>\$ 3,131,585</u>	<u>\$ 2,190,156</u>	<u>\$ 865,430</u>

Liability Insurance	OPEB	Total
\$ 2,494,009	\$ 3,498,912	\$ 14,629,400
<u>2,494,009</u>	<u>3,498,912</u>	<u>14,629,400</u>
86,848	9,941	4,712,250
-	-	304,437
-	-	1,316,675
-	-	558,939
34,820	-	293,528
269,714	-	1,504,277
765,062	2,829,236	3,930,701
6	-	1,165
-	-	66,449
<u>1,156,450</u>	<u>2,839,177</u>	<u>12,688,421</u>
<u>1,337,559</u>	<u>659,735</u>	<u>1,940,979</u>
-	-	-
-	-	323,057
<u>-</u>	<u>-</u>	<u>323,057</u>
1,337,559	659,735	2,264,036
-	-	568,202
-	-	95,489
<u>-</u>	<u>-</u>	<u>-</u>
1,337,559	659,735	2,927,727
<u>(936,697)</u>	<u>271,323</u>	<u>4,591,364</u>
<u>\$ 400,862</u>	<u>\$ 931,058</u>	<u>\$ 7,519,091</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 Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	<u>Pass Thru Fees</u>	<u>Payroll Deposits</u>	<u>Heartland CFD 2006</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and Investments	\$ 82,183	\$ 364,959	\$ -	\$ 447,142
Accounts Receivables	-	1,522	3,228	4,750
Cash and Investments with Fiscal Agent	-	-	3,506,926	3,506,926
	<u>-\$</u>	<u>-\$</u>	<u>-\$</u>	<u>-\$</u>
Total Assets	<u>\$ 82,183</u>	<u>\$ 366,481</u>	<u>\$ 3,510,154</u>	<u>\$ 3,958,818</u>
LIABILITIES				
Accounts Payable	\$ 54,363	\$ 361,521	\$ -	\$ 415,884
Deposits	27,820	4,960	3,510,154	3,542,934
	<u>-\$</u>	<u>-\$</u>	<u>-\$</u>	<u>-\$</u>
Total Liabilities	<u>\$ 82,183</u>	<u>\$ 366,481</u>	<u>\$ 3,510,154</u>	<u>\$ 3,958,818</u>

City of Hemet
Statement of Changes in Fiduciary Assets and Liabilities
Pass Thru Fees Agency Fund
Year Ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash and Investments	\$ 41,315	\$ 517,681	\$ 476,813	\$ 82,183
Accounts Receivables	-	-	-	-
	<u>41,315</u>	<u>517,681</u>	<u>476,813</u>	<u>82,183</u>
Total Assets	<u>\$ 41,315</u>	<u>\$ 517,681</u>	<u>\$ 476,813</u>	<u>\$ 82,183</u>
LIABILITIES				
Accounts Payable	\$ 13,495	\$ 517,681	\$ 476,813	\$ 54,363
Deposits	27,820	517,681	517,681	27,820
	<u>41,315</u>	<u>1,035,362</u>	<u>994,494</u>	<u>82,183</u>
Total Liabilities	<u>\$ 41,315</u>	<u>\$ 1,035,362</u>	<u>\$ 994,494</u>	<u>\$ 82,183</u>

City of Hemet
Statement of Changes in Fiduciary Assets and Liabilities
Payroll Deposits Agency Fund
Year Ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash and Investments	\$ 496,047	\$ 48,945,713	\$ 49,076,801	\$ 364,959
Accounts Receivable	3,565	84,609	86,652	1,522
	<u>3,565</u>	<u>84,609</u>	<u>86,652</u>	<u>1,522</u>
Total Assets	<u>\$ 499,612</u>	<u>\$ 49,030,322</u>	<u>\$ 49,163,453</u>	<u>\$ 366,481</u>
LIABILITIES				
Accounts Payable	\$ 464,023	\$ 64,691,064	\$ 64,793,566	\$ 361,521
Deposits	35,589	260,808	291,437	4,960
	<u>35,589</u>	<u>260,808</u>	<u>291,437</u>	<u>4,960</u>
Total Liabilities	<u>\$ 499,612</u>	<u>\$ 64,951,872</u>	<u>\$ 65,085,003</u>	<u>\$ 366,481</u>

City of Hemet
Statement of Changes in Fiduciary Assets and Liabilities
Heartland CFD 2006 Agency Fund
Year Ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Accounts Receivables	\$ 38,992	\$ 3,228	\$ 38,992	\$ 3,228
Cash and Investments with Fiscal Agent	<u>3,296,973</u>	<u>3,599,272</u>	<u>3,389,319</u>	<u>3,506,926</u>
Total Assets	<u>\$ 3,335,965</u>	<u>\$ 3,602,500</u>	<u>\$ 3,428,311</u>	<u>\$ 3,510,154</u>
LIABILITIES AND FUND BALANCES				
Deposits	<u>\$ 3,335,965</u>	<u>\$ 1,376,856</u>	<u>\$ 1,202,667</u>	<u>\$ 3,510,154</u>
Total Liabilities	<u>\$ 3,335,965</u>	<u>\$ 1,376,856</u>	<u>\$ 1,202,667</u>	<u>\$ 3,510,154</u>